MONTANA

Governor's Low Income Energy Advisory Council

Final Report and Recommendations

April, 1998

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES

MARC RACICOT
GOVERNOR

LAURIE EKANGER
DIRECTOR

STATE OF MONTANA

April 17,1998

Governor Marc Racicot
Room 204
State Capitol
Helena, Montana 59620-0801

Dear Governor Racicot:

RE: **Final Report and Recommendations**

The Governor's Low Income Energy Advisory Council hereby submits the Final Report of its activities pursuant to Executive Order 5-96. The Advisory Council reconvened in 1997 to address changes resulting from passage of SB 390 and SB 396. The Report contains recommendations to address problems associated with assuring affordable energy services to low income families in the increasingly competitive electric and natural gas industries.

The Advisory Council recommends that the conclusions contained in the Final Report be considered for inclusion in Administration strategies related to efforts before the Public Service Commission and the Transition Advisory Committee. Advisory Council members are available to discuss these low income recommendations with you and your representatives.

Sincerely,

Mike Billings

Mike Billings
Acting Chair
Low Income Energy Advisory Council

Encl.

Governor's Low Income Energy Advisory Council
Final Report & Recommendations
April, 1998

Background

The Governor's Low Income Advisory Energy Council (the Council) established by Executive Order 5-96 was charged with addressing short and long-term energy needs of Montana's low income families. Four specific directives were given to the Council:

1. Identify the scope of the current need for low income energy assistance in Montana;

2. Review the status of Montana's current public and private programs to provide energy assistance to low income people;

3. Recommend a plan for meeting Montana's need for low income energy assistance and weatherization to assure that both short-term and long-term energy and shelter needs are addressed; and

4. Identify resources needed to fulfill the plan and develop, advocate, and aid in implementing strategies to secure the identified resources.

In January1997, the Council submitted its recommendations to Governor Racicot. Short-term recommendations proposed enacting a .3753% fuel surcharge on gross retail operating revenues derived from energy sales and related services. Further, the Council advised creating a foundation to provide long-term funding for Energy Share of Montana.

Governor Racicot's February 11, 1997, response explained his decision to address short-term needs by utilizing unexpended balances in the energy conservation and assistance fund to make-up the difference between the awarded federal assistance and the level of help recommended by the Council. Also, Oil Overcharge funds ($705,000) were appropriated for weatherization and Energy Share. The Governor shared the Council's concern for long-term solutions and felt pending legislation for electric industry restructuring was the appropriate vehicle for addressing longer term, low income energy needs. The Governor expressed his belief that the needs of Montana's low income citizens are significant and society has a responsibility to help people stay warm. He encouraged the Council not to disband and to continue to advise him of opportunities and challenges pursuant to the charter set forth in the Executive Order.

Electric Restructuring Legislation

The 55th Montana Legislature enacted the Electric Utility Restructuring and Customer Choice Act (SB 390), which included a specific funding mechanism *for both low income bill assistance and weatherization* and other public purposes. Funding was embodied in the Universal System Benefits Charge (USBC), established at 2.4% of 1995 retail electric revenues. USBC *low income bill assistance and weatherization* components were funded at a *minimum of 17% of the total USBC.*

The Council reconvened on October, 27, 1997, to fulfill its responsibility to advise the Governor concerning low income energy matters in light of SB 390. SB 390 established a Transition Advisory Committee (TAC) to guide the legislature on issues related to deregulating the electric industry in Montana. TAC designated a subcommittee to address the USBC fund. The Council agreed to discuss and prepare recommendations for the Governor focusing on the energy needs of low income families that could be utilized by the TAC who asked the Council for help.

The Council initially identified items they would address – HB434, the endowment bill; need to include energy suppliers such as propane and fuel oil in low income programs under SB 396 which allows natural gas utilities to provide for customer choice; guidelines for allocating USBC funds; and establishing long-term solutions to low income families' energy needs.

The Council's original report and its ongoing efforts since reconvening in October have provided guidance to the Administration in its involvement in the intervention and testimony of various agencies, (Northwest Power Planning Council/ Department of Environmental Quality and the Department of Public Health and Human Services) in the utility transition plan applications before the Public Service Commission. *Preliminary* recommendations from the Council relating to low income qualifications and to guidelines on creditable USBC low income activities have also been included in continuing presentations and participation before the TAC and TAC USBC subcommittee to facilitate discussion.

The Council members' varied viewpoints and current commitments to assisting low income families were considered. Effort was taken not to discourage or impose undue restrictions on energy providers. The Council generally operated on a consensus / collaboration basis. Consequently unless overall agreement was reached, the individual proposals do not appear in the final recommendations presented in this Report. A minority report approach was not employed, rather the Minutes of the Council meetings are attached. *Readers are encouraged to review Appendices to gain a feel for the issues and varying perspectives of the Council members.* The format presented below includes *the italicized recommendation* adopted by the Council followed by a brief discussion and context.

Recommendation Number One

The Council encourages the Governor to include propane and fuel oil in legislation for the purpose of bringing all energy providers onto a level playing field in respect to USBC issues, specifically low income assistance. (Adopted 10/27/98)

Passage of SB390 has focused attention on electric industry restructuring. However, the Council does not want to ignore its initial concern that a successful competitive energy market requires a level play field where all energy providers have a responsibility to equally participate in low income programs and all low income customers receive equitable assistance regardless of fuel source or vendor.

Recommendation Number Two

The Council recommends that the Governor provide the Transition Advisory Committee the following guidelines to consider when developing qualifying USBC low income credit.

1. ***Universal Systems Benefits Charge (USBC) low income programs should be focused on broad-based activities that assure continuing affordable home energy services to qualifying low income families.***

2. ***Low income programs and activities should be prioritized based on need and targeted to households whose annualized income is 150% or less of federal poverty guidelines. Documented exceptions are subject to documentation on an individual basis.***

3. ***Low income programs and activities that qualify for USBC low income credit should include but not be limited to:***
   - ***Heating and energy crisis benefits including payments toward recipient households' energy costs;***
   - ***Payment toward recipient household weatherization costs;***
   - ***Purchase and delivery of fuels used by recipient households for home energy;***
   - ***Purchase, delivery and installation of weatherization materials;***
   - ***Purchase and delivery of blankets, space heating devises, equipment and other tangible items that are provided to help low income households meet the cost of home energy;***
   - ***Discounted utility and bulk fuel prices for recipient households;***
   - ***Partial or full waivers of utility and other income home energy connection and reconnection fees, application fees and late payment charges;***
   - ***Partial or full waivers of utility and other home energy connection and reconnection fees, application fees and late payment charges;***
   - ***Partial or full forgiveness of home energy bill arrearages;***

- ***Discounts or reductions in the costs of home heating and weatherization materials;***
- ***Donations of fuel and home heating and weatherization materials;***
- ***Services of paid staff donated by their employer to deliver fuel and other tangible items that help low income households meet the costs of home energy;***
- ***Purchase, delivery and installation of energy efficient equipment/ technologies which help low income households meet the cost of home energy;***
- ***Outreach for LIEAP enrollment;***
- ***Funds contributed to qualified endowments created in HB 434 for the low income USBC purposes; and***
- ***Safety/repairs related to low income energy issues.*** *(Adopted 1/21/98)*

Based on the 1990 census, there are 80,164 low income households at or below 150% of federal poverty levels in Montana. Annually, between 18,000 and 22,000 families apply for and receive heating assistance and approximately 2,100 homes are weatherized. Low income need continues to exceed available funds, and the Council sought to assure that low income assistance programs first serve the most needy families.

On December 3, 1998, the Council directed *"that the Staff work with providers to bring back to the next meeting of LIEAC [the Council] suggested guidelines for use of low income credits by providers, which help assure that those who need the help the most get it without applying unreasonable administratively unworkable mandates. In particular, use of guidelines for writeoffs to gain credits should be examined. These guidelines will be presented to the Governor and the Department (DPHHS)."* Consensus was reached to offer broad, flexible guidelines for low income USBC credit to the TAC as the *preliminary recommendation.*

On January 21,1998, the Council discussed staff's draft guidelines for use of low income USBC funds developed in response to the December 3, 1997, directive. Significant differences of opinion remained among Council members on the whether specific guidelines for qualifying activities were necessary or desirable. Generally, utility and cooperative members were opposed to specific guidelines and emphasized local control and flexibility. Other Council members emphasized that the broad laundry list of activities offered no substantive guidance for allocations and priorities of low income USBC funds. For example, sharp differences continued on the appropriateness and level of write-offs of unpaid bills of low income customers to be included as a qualified USBC low income program credit. The Council ultimately reaffirmed the list of qualifying low income activities adopted on December 3, 1997, within the overall recommendation number two.

Recommendation Number Three

The Council presents two options for the Endowment to the Governor for ways to fund the $10 million Energy Share of Montana Endowment and encourages the Governor to propose legislation and budget for one or a combination of these options:

- ***Write legislation similar to HB 434 to increase the tax credit "exposure" of the state to $5,000,000 on a 50% tax credit. Restrict the tax credit to energy providers (or corporations) for donations to the Energy Share Endowment. The credit would be first come first served for $1,250,000 in tax credits each year.***

- ***Include in the budget an appropriation of $2,500,000 in each of the next four years for the establishment of an Energy Share Endowment. Use the last of the Stripper Well money to jump start the endowment in the first biennium.*** (Adopted 1/21/98)

The Council's basic concern was that the full potential of the Energy Share Endowment recommended in the original LIEAC Report would not be realized under HB434. The contribution limits in HB434 effectively capped the probable endowment at much lower levels and, therefore, would not provide adequate annual income to Energy Share. Consequently, the Council reaffirmed its original commitment to the Energy Share Endowment and concluded that the Energy Share mission could be substantially funded by a $10 million Endowment. Two Energy Share Endowment funding alternatives were recommended.

One additional endowment option was discussed that would potentially provide a long-term solution for low income families' energy needs throughout Montana. This statewide approach could be met by a substantially funded Montana Low Income Endowment -- for example, a $100 million Endowment would generate $6 million annually. An appropriate means of funding such an endowment was not identified. The Council ultimately limited the endowment recommendation to the two Energy Share Endowment alternatives.

Recommendation Number Four

Since the USBC was intended to meet public purposes and since low income energy needs as a public purpose continue beyond the life of this legislation (SB 390), the Council encourages the Governor to recommend that the Transition Advisory Committee attend to this public purpose well into the future. (Adopted 2/27/98)

Governor Racicot stated "The conclusions of the Advisory Council reinforce my belief that the needs of Montana's low income citizens are significant and we, as a society, have a responsibility to help people stay warm." The energy needs of low income families should continue to be monitored.

Finally, in the February meeting there were significant differences of opinion among Council members concerning any recommendations related to *funding levels* for either bill assistance or weatherization. Proposals to recommend that a USBC funding allocations to low income activities *be greater than the minimum 17% contained in SB 390* were *not* adopted by the members. Rather, the Council retained the broad, flexible USBC low income guidelines contained in earlier recommendations.

The minutes and supporting documents from the Council's meetings since reconvening in October, 1997, are attached as Appendix D. Also attached to this report are Executive Order 5-96, Member List, Report to the Governor dated January 7, 1997, the Governor's response of February 11,1997, and meeting minutes and attachments from June, 1996 through December, 1996. These documents are included as convenient reference for the Governor, the Public Service Commission, and the Transition Advisory Committee.

Table of Appendices

Appendix A

Executive Order 5-96

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Member List

State of Montana
Office of the Governor

Executive Order No. 5-96

EXECUTIVE ORDER CREATING THE MONTANA LOW INCOME ENERGY ADVISORY COUNCIL

WHEREAS, affordable energy is an integral part of basic shelter; and

WHEREAS, many low-income Montanans, including the elderly, have extreme difficulty in affording basic shelter and energy costs without assistance from other sources; and

WHEREAS, federal funding for energy assistance and weatherization has decreased dramatically since the mid-1980's, and is expected to be phased out or significantly cut as part of overall deficit reduction; and

WHEREAS, current nonfederal resources (utilities, charitable organizations, individual donors) are having difficulty making up the shortfall between low-income energy needs and dwindling federal resources; and

WHEREAS, advocacy and fundraising through a joint public-private partnership is needed to ensure affordable shelter and energy costs for low-income Montanans.

NOW, THEREFORE, I, MARC RACICOT, Governor of the State of Montana, pursuant to the authority vested in me by the laws of the State of Montana, do hereby create the Low Income Energy Advisory Council ("Council").

I. PURPOSE

The Council shall advise the Department of Public Health and Human Services and the Governor's Office on issues affecting low-income energy assistance in Montana, including:

A. identifying the scope of the current need for low-income energy assistance in Montana;

B. reviewing the status of Montana's current public and private programs to provide energy assistance to low-income people;

C. recommending a plan for meeting Montana's need for low-income energy assistance and weatherization to assure that both short-term and long-term energy and shelter needs are addressed;

D. identifying resources needed to fulfill the plan and develop, advocate and aid in implementing strategies to secure the identified resources.

II. COMPOSITION

The Council shall be comprised of fourteen members appointed by the Governor. The names and addresses of the members, who shall serve at the pleasure of the Governor, are

submitted by separate letter to the Secretary of State and the Department of Public Health and Human Services. The make-up of members shall include:

A. four members from public or private sector energy-related enterprises;

B. three members from major private sector non-energy-related enterprises;

C. one member from the Department of Public Health and Human Services;

D. one member from the Department of Environmental Quality;

E. two members from the general public;

F. one member who is a LIEAP recipient;

G. one member of the Montana State Legislature;

H. one member of the Montana Public Service Commission.

III. ADMINISTRATION

The Council shall be attached to the Department of Public Health and Human Services for administrative purposes. The Council may, if deemed necessary, establish or designate a separate organization for the purpose of accepting and distributing funds received.

IV. COMPENSATION

Council members eligible for compensation under Section 2-15-122(5), MCA, shall be compensated by the Department of

Public Health and Human Services for each day actually and necessarily engaged in the performance of Council duties. All members shall be reimbursed for travel expenses, pursuant to Section 2-15-122(5), MCA.

V. DURATION

The Council shall exist for a period of two years from the effective date of this Order unless extended by subsequent Executive Order.

This Order is effective immediately.

GIVEN under my hand and the GREAT SEAL of the State of Montana, this 13d day of February 1996.

Marc Racicot

MARC RACICOT, Governor

ATTEST:

Mike Cooney

MIKE COONEY, Secretary of State

OFFICE OF THE GOVERNOR

STATE OF MONTANA

MARC RACICOT
GOVERNOR

STATE CAPITOL
HELENA, MONTANA 59620-0801

February 13, 1996

The Honorable Mike Cooney
Secretary of State
State Capitol
Helena, MT 59620

Dear Secretary Cooney:

Please be informed that effective immediately, I have appointed the following individuals to the Low Income Energy Advisory Council, in accordance with Executive Order No. 5-96, under the Department of Public Health and Human Services:

Dr. Peter Blouke, Director, Dept of Public Health and Human Services, State of Montana, Helena, MT 59620, is to serve a term ending February 13, 1998, and fulfills the qualifications for representing The Department of Public Health and Human Services.

Ms. Nancy McCaffree, Public Service Commission, 1701 Prospect Avenue, Vista Bldg, Helena, MT 59620, is to serve a term ending February 13, 1998, and fulfills the qualifications for representing the Montana Public Service Commission.

Mr. Mark Simonich, Director, Department of Environmental Quality, State of Montana, Helena, MT 59620, is to serve a term ending February 13, 1998, and fulfills the qualifications for representing the Department of Environmental Quality.

Mr. Bob Gannon, President, Montana Power Company, 40 East Broadway, Butte, MT 59701, is to serve a term ending February 13, 1998, and fulfills the qualifications for representing an energy- related enterprise.

Mr. Wayne Fox, Montana-Dakota Utilities, 400 N. 4th Street, Bismark, ND 58501, is to serve a term ending February 13, 1998, and fulfills the qualifications for representing an energy-related enterprise.

Mr. Jay Downen, Montana Electric Cooperatives Association, P. O. Box 1306, Great Falls, MT 59404, is to serve a term ending February 13, 1998, and fulfills the qualifications for representing an energy-related enterprise.

Ms. Sheila Rice, Great Falls Gas Company, P. O. Box 2229, Great Falls, MT 59403-2229, is to serve a term ending February 13, 1998, and fulfills the qualifications for representing an energy-related enterprise.

If you have questions regarding this appointment, please call Betti Hill, Appointments Coordinator, at extension 5551.

Sincerely,

Marc Racicot

MARC RACICOT
Governor

cc: Jim Nolan, PHHS

TELEPHONE: (406) 444-3111 FAX: (406) 444-5529

OFFICE OF THE GOVERNOR

STATE OF MONTANA

MARC RACICOT
GOVERNOR

STATE CAPITOL
HELENA, MONTANA 59620-0801

May 1, 1996

The Honorable Mike Cooney
Secretary of State
State Capitol
Helena, MT 59620

Dear Secretary Cooney:

Please be informed that effective immediately, I have appointed the following individuals to the Low Income Energy Advisory Council, in accordance with Executive Order No. 5-96, under the Department of Public Health and Human Services:

Mr. Michael Wall, Power-Townsend Company, Box 5087, Helena, MT 59604, is to serve a term ending February 13, 1998, and fulfills the qualifications for representing private-sector non-energy related enterprises.

Mr. Matt Dale, 1503 Gallatin, Helena, MT 59601, is to serve a term ending February 13, 1998, and fulfills the qualifications for representing the general public.

Ms. Lee Ham, 111 North 10th, Miles City, MT 59301, is to serve a term ending February 13, 1998, and fulfills the qualifications for representing the general public.

Rep. Royal Johnson, 2915 Illinois, Billings, MT 59102, is to serve a term ending February 13, 1998, and fulfills the qualifications for being a member of the Montana State Legislature.

Mr. Carl Visser, District VII HRDC, Box 2016, Billings, MT 59103, is to serve a term ending February 13, 1998, and fulfills the qualifications for representing non-energy related enterprises.

Mr. Allen Nicholson, Nicholson Enterprises, 7 West 6th Avenue, Helena, MT 59601, is to serve a term ending February 13, 1998, and fulfills the qualifications for representing non-energy related enterprises.

Ms. Barbara Sullivan, 1415 Missoula Avenue, Helena, MT 59601, is to serve a term ending February 13, 1998, and fulfills the qualifications for being and LIEAP recipient..

If you have questions regarding this appointment, please call Betti Hill, Appointments Coordinator, at extension 5551.

Sincerely,

Marc Racicot

MARC RACICOT
Governor

cc: Jim Nolan, PHHS

TELEPHONE: (406) 444-3111 FAX: (406) 444-5529

Appendix B

Recommendations to Governor
January 7, 1997

&

Governor's Response

DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES

MARC RACICOT
GOVERNOR

PETER S. BLOUKE, PhD
DIRECTOR

STATE OF MONTANA

PO BOX 4210
HELENA, MONTANA 59604-4210
(406) 444-5622
FAX (406) 444-1970

January 7, 1997

Governor Marc Racicot
Room 204
State Capitol
Helena, MT 59620-0801

Dear Governor Racicot,

On behalf of the membership of the Governor's Low-Income Energy Advisory Council, I am pleased to submit to you our recommendations to address the problem poor people face in keeping their homes warm.

Six months ago, you charged us with identifying the need for energy assistance and recommending a plan and resources necessary to meet that need. I believe we have done so. The recommendations we have come up with balance, to the best extent feasible, what needs to be done with what we feel can realistically be expected. This was, as you pointed out to us, a very difficult task and was only made possible because all the council members, whether they represented utilities, clients or interested individuals gave unhesitatingly of their talents and time.

As you may imagine, the discussions were lively and it was only because everyone there was willing to consider the greatest good for low-income people that we were able to compile the enclosed recommendations.

On a personal note, I would like to thank you for supporting the creation of the council. It was a pleasure to be part of this process. If I can provide any further information to you, please let me know.

Sincerely,

Mike Billings for

Jack Haffey
Chairman

Low Income Energy Advisory Council

Recommendations to Governor

January 7, 1997

LOW INCOME ENERGY ADVISORY COUNCIL REPORT OUTLINE

The Montana Low Income Energy Advisory Council (the Council) established the following immediate and long-term goals and objectives to guide it in meeting the charges listed below and in Executive Order 5-96.

ADVISORY COUNCIL GOALS

I. To propose a short-term solution to the home heating problems of low income households based on historical Low Income Energy Assistance Program (LIEAP) participation rates as the indicator of those in need of assistance.

II. To develop a long-term funding scenario that encompasses greater participation by those LIEAP eligible households desiring assistance.

III. To explore, develop, and maximize to the greatest feasible extent, non-LIEAP approaches to the energy needs of low-income people.

ADVISORY COUNCIL OBJECTIVES

I. Provide affordable energy services (heating costs) for all eligible low-income households.

II. Provide long-term, sustainable and stable funding mechanism and commitment to provide a reasonable level of direct fuel bill payment, emergency and weatherization assistance.

III. Encourage a level playing field among all energy providers.

IV. Distribute resources equitably based on household energy costs and poverty level.

V. Administer programs in an equitable and efficient manner to the benefit of low-income households, energy providers, and state and local program administrators.

VI. Encourage private and market based strategies and resources consistent with goals.

VII. Encourage private contributions and leveraging through federal, state, and private efforts.

VIII. Encourage flexibility and innovative programs.

ADVISORY COUNCIL RESPONSE TO CHARGES FROM THE GOVERNOR'S EXECUTIVE ORDER

I. Determine the Scope of the Current Need for Low-Income Energy Assistance in Montana

Based on the 1990 census there are 62,725 low-income households in Montana living at or below 125 percent of poverty and thus potentially eligible for LIEAP. Another 17,439 households (those living between 125 and 150 of poverty) do not meet eligibility requirements for LIEAP.

Based on prior program participation the Council has found:

A. Annually between 18,000 and 22,000 Montana households apply for and receive of heating assistance under LIEAP. The cost of providing the appropriate level of heating assistance will be $6.5 million each year FY98 and FY99;

B. The Weatherization program has the capacity to cost effectively reduce the heating costs of approximately 2,100 of the highest energy consumption LIEAP households each year. The cost of providing weatherization assistance will be $3.5 million each year FY98 and FY99;

C. Annually approximately 1,000 Montana households (those whose incomes exceed LIEAP eligibility guidelines or whose needs are not met by LIEAP) apply for heating assistance through Energy Share of Montana. The cost of providing assistance through Energy Share of Montana will be $400 thousand each year FY98 and FY99; and

D. Efforts to ensure that all Montana households in need of energy assistance are aware of available programs and have the opportunity to apply for them must be sustained and/or bolstered.

II. Determine the Status of Montana's Current Public and Private Low-Income Energy Programs

The federal government is expected to provide only $4.5 million in LIEAP heating assistance and $2.2 million in weatherization assistance each year FY98 and FY99. Contributions to Energy Share of Montana (a nonprofit fuel fund) are uncertain. The Council has established that the shortfall between the cost of LIEAP and Weatherization to be funded and the amount provided for those programs by the federal government is $3.3 million each year FY98 and FY99 ($6.6 million total).

III. Develop a Plan for Meeting Montana's Need for Energy Assistance and Weatherization to Ensure That Both Long- and Short-Term Energy and Shelter Needs are Addressed

To cover the deficiency between the total cost of LIEAP and Weatherization and the amount provided for those programs by the federal government, the Council recommends that the Governor propose and the Montana Legislature enact a .3753 percent fuel surcharge on gross retail operating revenues derived from the supply, transmission, transportation, distribution, delivery, customer charges, fees and rentals for electricity, natural gas, propane, fuel oil, coal and distillate fuel at the point of sale for customer use in Montana. Wholesale sales for resale are exempted to avoid multiple taxation. The surcharge may be reduced by credit for qualifying low-income programs for discounts, weatherization, fuel fund contributions, bill write-offs and other bonafide programs which are generally available on a nondiscriminatory manner to all qualifying low-income households. Net revenue generated by the surcharge will be remitted to the State for distribution to the above-mentioned programs. The surcharge will remain at .3753 for each year FY98 and FY99.

Further, the Council recommends the Governor propose and the Legislature enact a foundation to provide long-term funding for Energy Share of Montana. The foundation will be funded by energy provider donations and a 50 percent tax credit for such donations. The tax credit will be capped at $1.25 million annually not to exceed $5 million in total. The tax credit will be applied first to coal tax liability, second to corporation license tax liability, and third to the 101 mills of statewide property tax. For ease of administration the property tax credit would be operated as a state rebate of property taxes paid on the 101 mills for qualifying donations to the foundation. Contributions to the foundation which are eligible for tax credits will be capped at $10 million. No distributions to Energy Share of Montana will be made from the foundation until $5 million in assets have been generated. When that occurs, 5 percent of the annual earnings of the foundation will be distributed to Energy Share's Board of Directors for energy assistance and any remaining earnings will be reinvested in the foundation. Selection of a private foundation manager will be accomplished by the Montana Board of Investments in compliance with competitive procurement procedures governing state agencies. Annual tax credit implications of the foundation for the State General Fund (assuming annual donations of $2.5 million) range from $.7 million to $.9 million depending on the mix of taxes against which the credit is claimed.

The Council recognizes that it has only provided suggestions for a short-term solution to the problem and that a long-term solution must include 1) ways to recognize higher energy costs over time, 2) ways to fund program deficits caused by falling federal support over time, and 3) ways to

design and discover outreach strategies to increase low-income participation in programs by assuring that eligible households have an opportunity to access benefits.

IV. Identify Resources Needed to Fulfill the Plan and Develop, Advocate and Aid in Implementing Strategies to Secure the Identified Resources

To implement the course of action described above and to ensure that both the long- and short-term energy and shelter needs of low-income Montanans are met, the Council recommends that:

A. The Department of Public Health and Human Services request a bill for an act establishing the fuel surcharge and the foundation for enactment by Montana's 55th Legislature;

B. In accordance with Executive Order 5-96, the Council continue to advise the Department of Public Health and Human Services and the Governor's Office on issues affecting energy assistance in Montana, particularly the long-term need for energy assistance and methods of ensuring that all households in need of energy assistance are aware of available programs and have the opportunity to apply for them;

C. Future activities of the Council be coordinated with other bodies, such as the Comprehensive Review of the Northwest Energy System and the Northwest Power Planning Council, that are addressing the same and similar issues;

D. The support of human service agencies, such as HRDCs, religious organizations, and charitable groups, working with low income people be enlisted;

E. Administrative procedures and costs be reviewed and changes made as necessary to ensure funds are efficiently and equitably distributed to those in need of assistance;

F. An informational packet and arrangements for presentations to media outlets and editorial boards be prepared; and

G. Council members arrange for or provide informational briefings for the groups they represent.

APPENDIX TO LOW INCOME ENERGY ADVISORY COUNCIL REPORT OUTLINE

Listed below are a number of options the Governor may wish to consider if future action is to follow.

How will surcharge credits be applied?

Under the proposal recommended by the Council, the surcharge on gross retail operating revenue collected by the Department of Revenue (DOR) could be reduced by credit for qualifying low income programs for discounts, weatherization, fuel fund contributions, bill write-offs and other programs made available on a nondiscriminatory manner to qualifying low-income customers.

Option 1

The cost of providing qualifying low-income energy programs would be deducted by fuel vendors from gross collections prior to remittance to DOR.

Option 2

Fuel vendors would remit gross collections to DOR and apply for annual rebates by submitting documentation of qualifying low-income programs.

How will the funds collected ultimately be distributed between energy assistance and weatherization?

For each year FY98 and FY99 the Council has established that the shortfall between the cost of energy and weatherization assistance it considered and the amount provided for those programs by the federal government is $3.3 million. Heating and weatherization assistance account for 60.6 and 39.4 percent of that shortfall respectively.

Option 1

Funds collected under the surcharge would be distributed 60.6 percent to energy assistance and 39.4 percent to weatherization assistance. No attempt would be made to adjust this balance to account for bill discounts, weatherization, fuel fund contributions and other credit qualifying low-income programs provided directly by fuel vendors.

Option 2

Distribution of surcharge revenues to energy and weatherization assistance would be adjusted annually to account for bill discounts, weatherization, fuel fund contributions and other credit qualifying low-income programs provided directly by fuel vendors. Option 2 would ensure surcharge revenue collections and fuel vendor provided benefits are split in the above described proportions to energy and weatherization assistance.

How would the surcharge be structured to ensure locally administered credit qualifying programs are not weighted too heavily toward either energy or weatherization assistance?

A guideline would be established that limits credits for energy assistance type programs to 60.6 percent of any fuel vendor's total surcharge liability. Similarly, credits for weatherization programs would be limited to 39.4 percent of any fuel vendor's total surcharge liability. If this guideline proves too restrictive, waivers would be entertained.

Who will administer and determine what will be counted as a qualifying low-income program?

The Department of Public Health and Human Services (DPHHS) is responsible for administering the energy and weatherization assistance programs. The Council did not contemplate changes in administrative responsibility for either program. The administrative rule process would be used to establish what activities would qualify for credits against the surcharge. In general activities would include those accepted by the U.S. Department of Health and Human Services for purposes of leveraging non-federal energy and weatherization assistance resources into state programs (Federal Register, Vol. 57, No. 11, January 16, 1992, pp.1968-1972):

- Heating and energy crisis benefits including payments toward recipient households' energy costs;
- Payment toward recipient household weatherization costs;
- Purchase and delivery of fuels used by recipient households for home energy;
- Purchase, delivery and installation of weatherization materials;
- Purchase and delivery of blankets, space heating devices, equipment and other tangible items that are provided to help low-income households meet the cost of home energy;
- Discounted utility and bulk fuel prices for recipient households;
- Partial or full waivers of utility and other home energy connection and reconnection fees, application fees and late payment charges;
- Partial or full forgiveness of home energy bill arrearages;
- Discounts or reductions in the costs of home heating and weatherization materials;
- Donations of fuel and home heating and weatherization materials; and
- Services of paid staff donated by their employer to deliver fuel and other tangible items that help low-income households meet the costs of home energy.

Option 1

DOR would administer collection of the surcharge and establish via administrative rule what will be counted as a qualifying low-income program.

Option 2

DOR would administer collection of the surcharge and DPHHS would establish via administrative rule what will be counted as a qualifying low-income program.

Option 3

DOR would administer collection of the surcharge and DPHHS and DOR would jointly determine what will be counted as a qualifying low-income program.

Option 4

DOR would administer collection of the surcharge and fuel vendors would determine what will be counted as a qualifying low-income program.

Will any energy providers be exempt from the surcharge?

Under the proposal recommended by the Council, the Montana Legislature would enact a .3753 percent surcharge on gross retail operating revenues derived from the supply, transmission, transportation, distribution, delivery, customer charges, fees and rentals for electricity, natural gas, propane, fuel oil, coal and distillate fuel at the point of sale for customer use in Montana.

Any energy provider selling electricity, natural gas, propane, fuel oil, coal or distillate for use in Montana would be required to remit surcharge proceeds to DOR regardless of physical presence in the State.

How will surcharge revenues and credit qualifying low-income program benefits be distributed to ensure equitable distribution among eligible recipients?

Through the LIEAP program DPHHS allocates benefits accounting for household size, type of dwelling, household income, local climate, fuel type, and fuel cost. Needier households receive higher levels of assistance. Households in similar circumstances receive the same benefits. DPHHS administered weatherization assistance is provided to income qualified households with the highest annual energy consumption. Only U.S. Department of Energy approved measures which meet or exceed a uniform cost-benefit ratio test are installed on eligible dwellings.

Option 1

Surcharge revenues would be "rolled in" with federal funds to increase funding available for the DPHHS administered programs. These additional revenues would be allocated to low-income households using the same benefit allocation structure that is currently in place. No effort would be made by the State to ensure that like households receive comparable benefits through credit qualifying fuel vendor provided energy and weatherization programs.

Option 2

Surcharge revenues would be "rolled in" with federal funds to increase funding available for the DPHHS administered programs. These additional revenues would be allocated to low-income households using the same benefit allocation structure that is currently in place. The State would require through administrative rule that fuel vendor provided energy and weatherization programs

adopt benefit allocation structures to ensure equitable distribution of benefits among recipient households.

Option 3

DPHHS would "equalize" overall benefits to recipient households by deducting the value of each household's credit qualifying fuel vendor provided energy and weatherization programs from benefits allocated through State administered energy and weatherization assistance programs.

OFFICE OF THE GOVERNOR

STATE OF MONTANA

MARC RACICOT
GOVERNOR

STATE CAPITOL
HELENA, MONTANA 59620-0801

February 11, 1997

Jack Haffey, Chairman
Low Income Energy Advisory Council
40 East Broadway
Butte MT 59701

Dear Chairman Haffey:

Thank you for the report outlining the work of the Low Income Energy Advisory Council. The time and dedication of the council members and others who participated in the Council meetings are very much appreciated.

The Council has done an excellent job in accomplishing the charter that I outlined in the Executive Order that created the Council. As a result, I have a clear understanding of the problems facing Montana's low income citizens in meeting their home energy needs, and an equally clear understanding of the options open to the state to help these citizens pay their heating bills.

After considerable thought, I have decided that for the next two years we will utilize unexpended balances in the energy conservation and assistance fund to make up the difference between the awarded federal assistance and the level of help the Advisory Council recommended. I realize that there is a case to be made to reserve those funds for unanticipated energy program emergencies or unforseen events, but I believe using them now is a better option than asking for an energy bill surcharge this legislative session. With the addition of nearly $625,000 now contained in legislation appropriating Oil Overcharge funds for weatherization and Energy Share activities, I am comfortable that we have achieved a solution to the short term problem.

However, as the Council has clearly indicated, a long term solution to the problem of providing energy assistance to low-income families must be developed. In this regard, I believe that the utility restructuring discussion that is now taking shape will be the appropriate forum to address this matter, and I will insist that the work of the Low Income Energy Advisory Council be considered in the overall picture as restructuring continues. Protection of fuel assistance and weatherization activities will be a priority of mine in any restructuring discussion.

TELEPHONE: (406) 444-3111 FAX: (406) 444-5529

With respect to the Advisory Council recommendation to establish a foundation to support Energy Share of Montana, I feel the proposed legislation to promote endowed philanthropy is an appropriate vehicle to ensure that this needed complement to our efforts is established. I urge members of the Advisory Council to support this legislation as I feel it will satisfactorily accomplish the purposes of the Council as embodied in the recommendation.

Finally, let me assure you that I realize how uncertain federal funding is. If the assumptions regarding federal participation used by the Advisory Council to project low income energy assistance needs for the next two years are not realized, I will revisit this issue. The conclusions of the Advisory Council reinforce my belief that the needs of Montana's low income citizens are significant and we, as a society, have a responsibility to help people stay warm.

I would ask that the Council not disband, but to continue to advise me of opportunities and challenges pursuant to the charter set forth in the Executive Order.

Sincerely,

Marc Racicot

MARC RACICOT
Governor

DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES

MARC RACICOT
GOVERNOR

LAURIE EKANGER
DIRECTOR

STATE OF MONTANA

PO BOX 4210
HELENA, MONTANA 59604-4210

January 31, 1997

To: LIEAP Advisory Council Members

Mike Billings for
From: Jack Haffey, Chairman
LIEAP Advisory Council

The Governor has made the decision to utilize energy conservation and assistance account funds to subsidize the low income energy assistance program for fiscal years 1998 and 1999. Sufficient funds are available in this account to subsidize the LIEAP to the levels agreed upon by the LIEAP Advisory Council for the two years, 1998 and 1999. The Governor acknowledged that this decision implements only a short term solution, and that a permanent long term solution must be developed during the upcoming biennium.

Concerning the long term issue, the Governor feels that the permanent solution will evolve at least partially as a natural product of the electricity industry restructuring that is mandated by federal regulation and is currently under study by the Legislature.

With respect to the LIEAP Council recommendation that a foundation be created for energy share purposes, the Governor felt that such a foundation could be created under the provisions of the endowed philanthropy legislation that has been introduced in the legislature this session. He encouraged members of the Council to actively support this legislation in terms of its implications for low income energy assistance programs.

No decision was made with respect to whether the LIEAP Council would be extended beyond its sunset date, February 13, 1998.

Please call me, Mike Billings or Jim Nolan if you have questions or need further information.

Once again, thank you for your contributions to the important goals of the Council. The Governor was highly complimentary about the work of the committee as a whole and appreciative of the individual contributions of the members.

Appendix C

Meeting Minutes & Attachments

June, 1996 through December, 1996

Minutes

June 26, 1996

Meeting Attachments

T. Schneider Memorandum. Background Information
LIEAP Customer Percent of Poverty Statewide
LIEAP Income Distribution Statewide
Montana LIEAP Program 1980-1996
Weatherization Assistance Program Funding
LIEAP Leveraging Report

Minutes of the Low Income Energy Advisory Council
June 26, 1996
10:00 am - 4:30 pm
Old Supreme Court Chambers
Room 125 State Capitol
Helena MT

The meeting was called to order at 10:00 am by Michael Billings, Administrator of Operations and Technology of the Department of Public Health and Human Services. Present were: Michael Wall, representing Private Sector Non-Energy; Matt Dale, representing General Public; Representative Royal Johnson, representing the Montana State Legislature; Carl Visser, representing Non-Energy Related Enterprises; Alan Nicholson, representing Non-Energy Related Enterprises; Barbara Sullivan, representing LIEAP recipients; Nancy McCaffree, representing the Montana Public Service Commission; Mark Simonich, representing the Department of Environmental Quality; Jack Haffey, representing an Energy Related Enterprise; Wayne Fox, representing an Energy Related Enterprise; Marilyn DeSmet (standing in for Sheila Rice), representing an Energy Related Enterprise; Jim Nolan, Intergovernmental Human Services Bureau, DPHHS; Tom Schneider, and Kane Quenemoen.

Not present were: Lee Harn, representing the General Public; and Jay Downen, representing an Energy Related Enterprise.

Other guests attending: Kate Whitney, Energy Share; Rachel Haberman, Energy Share; and George Rogers, Energy Share

The meeting opened with a welcome and charge to council by Governor Marc Racicot. The Governor thanked the council members for their willingness to address the problem of providing energy to low income individuals and asked them to make recommendations to his administration.

Opening remarks were offered by Jack Haffey. Mr. Haffey commented that he had worked hard to insure that $10 million went to the LIEAP program but now there was a need for a more comprehensive approach to meet the needs for the low income for energy.

Opening remarks were also offered by Nancy McCaffree. Ms. McCaffree said she would like to focus on people that truly can not make ends meet and hopes to make things better for them.

The next item on the agenda was to elect a Chair for the Advisory Council. Nominations were opened.

Motion: Carl Visser nominated Jack Haffey for Chair. The nomination was seconded by Wayne Fox.

Action: The motion passed unanimously.

Tom Schneider presented his memorandum on background information for decision making as it relates to low income energy. Mr. Schneider stressed that energy needs for the low income families are serious and increasing. The primary drivers are; declining federal benefits in the form of: LIEAP to energy providers, and weatherization/conservation of resources; and cost pressures in the competitive restructuring of the electric and natural gas industries. The risk to the low income families is aggravated by the increasing cost of energy. Following are a few references concerning the LIEAP program. As referenced by the LIEAP poverty graph, the largest number of LIEAP customers fall in the 71-80% poverty level. It was mentioned that LIEAP programs are run out of Human Resource Development Councils(HRDC). Carl Visser reports that 40% of his LIEAP consumers are the elderly. Jim Nolan reported there are 60,000 households below 125% of poverty but only 20,000 LIEAP households. The guidelines for the LIEAP program are 125% of poverty and a liquid asset limit. Of the LIEAP monies, the federal setaside for weatherization is no more than 15%, state law mandates that no less than 5% be so used. The program is allowed to carry over 10% of the current program to start up next year's program. Montana Power instituted a 10% low income discount, funded by rate payers, which has helped and is available to LIEAP participants. Power is a significant item on a low income budget. If you consider their average budget as $7000, 11.5% or $805 is going to power. LIEAP participants must reapply each year except for those on fixed incomes. LIEAP is paid directly to energy providers in 95% of the cases and to some type of rent accounts in 5% of the cases. The program year is October to April. Money must also be focused on weatherization because there is long term savings, but you need a mix of energy and weatherization. LIEAP is not a welfare program, only 1/3 of

the participants are on welfare. The working poor are in and out of the program.

Concern was expressed as to why only 20,000 out of 60,000 households apply for benefits. It was stated that the level served is consistent with other states and some of the unserved through LIEAP are served through energy share.

Break for lunch.

Next on the agenda was a discussion of public and private low income energy programs. Noted was the Montana Power discount and weatherization programs.

Kate Whitney spoke on behalf of Energy Share which she states serves the population missed by LIEAP. Contributions come from utility company contributions, private donations, and stripper well appropriations. Energy Share contracts their service with HRDCs. Energy Share supports state efforts and advocates for the individuals that LIEAP does not reach. Ms. Whitney recommends the following: 1. Increase the limit of tax deductible donations, 2. A tax credit for organizations that fight poverty, 3. Increase the stripper well appropriation, and 4. Increase the BTU tax on energy users.

Mr Schneider led a discussion on possible principles to serve short and long term energy needs. Suggestions included a change in eligibility requirements, an assumption that more than 20,000 will be served, and writing to the energy co-op chairman. A question to staff was to find out who the 40,000 eligible households are that are not using the LIEAP benefits. In light of reduced federal funds, could the state make up any of the loss?

Motion: Jack Haffey moved that staff be directed to come back to the advisory council with a scope of need, identifying the number of households eligible based on current guidelines and to approximate the cost to satisfy their needs for energy and weatherization. Included in that scope of need would be a profile of the missing 40,000 eligible households, to compare similar states and who they serve, and to check the Colorado Plan. The next meeting was scheduled for August 14, 1996 at 10:00am, site to be determined.

MEMORANDUM

To: GOVERNOR'S LOW INCOME ENERGY ADVISORY COMMITTEE

From: Tom Schneider

Date: June 21, 1996

Subject: Background Information for June 26, 1996 Meeting

I have been retained by the Department of Public Health & Human Sevices (HHS) to provide technical and policy assistance to HHS and the Governor's Low Income Energy Advisory Council. The agenda is ambitious and is designed to immediately focus on (1) the increasingly serious energy needs of low income families, (2) the primary "drivers" (i.e., dramatic cuts in federal LIEAP benefit and weatherization funds; and cost pressures and level playing field issues in competitive restructuring of the electric and natural gas industries), (3) possible "principles" for Montana solutions, and (4) a range of statewide or broad alternatives that the Advisory Council may wish to consider.

Pursuant to the Governor's letter of June 3, 1996, enclosed are several reference / background documents designed to facilitate your preparation for the June 26, 1996 kick-off meeting.

LOW INCOME NEED & FUNDING TRENDS

1. Three graphs on LIEAP customer income levels & % of poverty.
2. Federal LIEAP block grants and benefit data 1980-96.
3. Federal Weatherization (i.e. conservation) Assistance Funding 1990-96.
4. Example of impact of LIEAP cuts on LIEAP customer energy bills - MPC.
5. LIEAP Leveraging Report 1994-95 showing the non-federal assistance funds from utilities (ratepayers), Energy Share contributions, etc.

COMPETITIVE RESTRUCTURING ELECTRICITY & GAS

1. A national news letter on Low Income Issues relating to LIEAP budget cuts and energy competition to give some background. MT actively involved in issues.
2. Montana PSC Principles on Electric Restructuring 5/21/96.

EXAMPLE ALTERNATIVE APROACHES TO LIEAP NEEDS

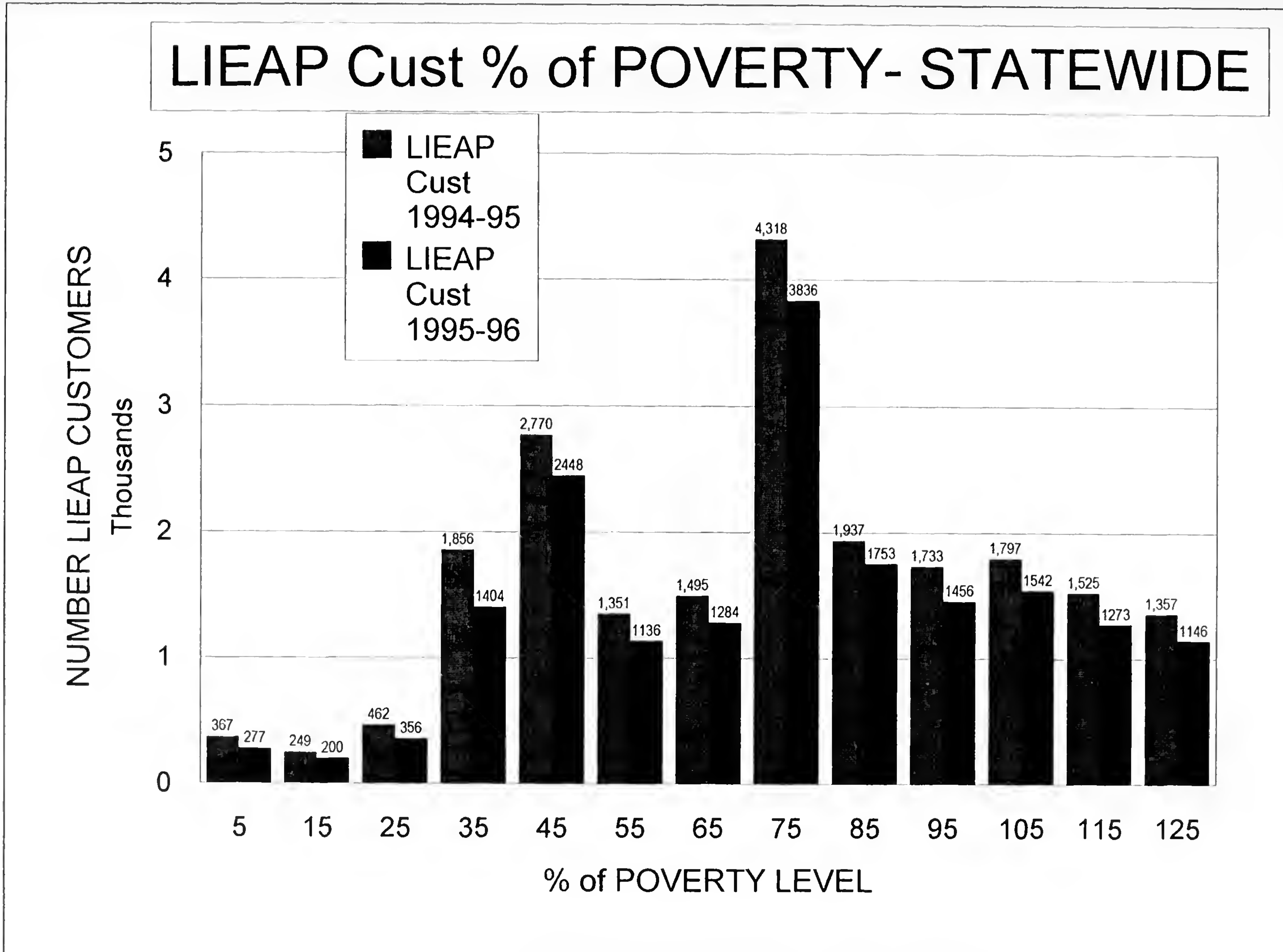
1. An NCAT tabulation of survey results 12/94 in earlier process to develop non-federal funds for LIEAP assistance and weatherization.
2. See the Agenda for a number of possible alternatives.

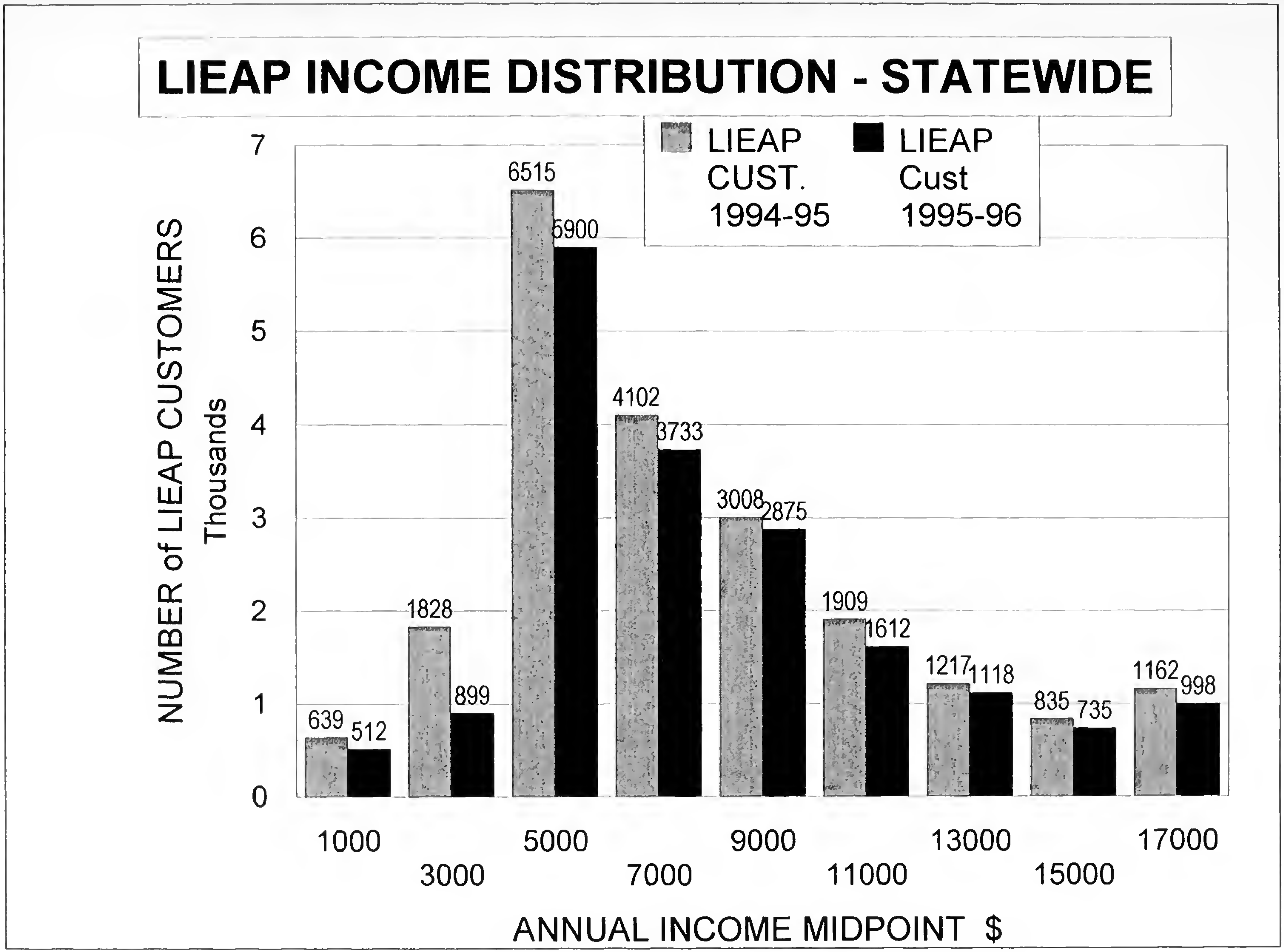
MONTANA LIEAP PROGRAM 1980-1996

FISCAL YEAR	BLOCK GRANT	BENEFIT EXPENDITURES	RECIPIENT HOUSEHOLDS	AVERAGE BENEFITS	*AVG BENEFIT EXPRESSED IN 1995 DOLLARS**
1980	$4.685.147	$4.116.893	11.440	$360	*$664*
1981	$10.838.285	$9.208.482	16.887	$545	*$918*
1982	$11.107.295	$4.991.324	14.802	$337	*$530*
1983	$11.704.418	$7.300.000	17.345	$421	*$645*
1984	$11.111.060	$9.800.000	20.755	$463	*$681*
1985	$12.297.692	$9.808.541	22.460	$462	*$655*
1986	$11.665.225	$9.400.000	23.531	$404	*$563*
1987	$11.035.480	$8.543.297	22.544	$378	*$508*
1988	$9.371.561	$6.200.000	21.106	$293	*$379*
1989	$8.626.212	$5.484.500	21.224	$292	*$359*
1990	$8.686.405	$6.028.933	20.090	$300	*$352*
1991	$8.823.365	$7.420.987	21.287	$352	*$395*
1992	$9.089.606	$5.073.494	20.864	$243	*$264*
1993	$8.238.065	$4.754.242	21.216	$224	*$237*
1994	$8.806.656	$6.102.933	21.399	$285	*$294*
1995	$8.034.493	$5.785.751	21.684	$267	*$267*
1996	$6.591.961	$3.782.876	18.456	$205	*NA*

WEATHERIZATION ASSISTANCE PROGRAM FUNDING

PROGRAM YEAR	DOE FUNDING	DWELLINGS WEATHERIZED
1990	1.765.010	1.024
1991	2.170.311	1.214
1992	2.116.675	1.095
1993	2.405.800	1.229
1994	2.587.867	1.032
1995	2.402.592	1.122
1996	1.245.751	406


LIEAP Cust % of POVERTY- STATEWIDE
LIEAP Cust 1994-95
LIEAP Cust 1995-96
NUMBER LIEAP CUSTOMERS
Thousands
0
1
2
3
4
5
367
277
249
200
462
356
1,856
1404
2,770
2448
1,351
1136
1,495
1284
4,318
3836
1,937
1753
1,733
1456
1,797
1542
1,525
1273
1,357
1146
5
15
25
35
45
55
65
75
85
95
105
115
125
% of POVERTY LEVEL


LIEAP INCOME DISTRIBUTION - STATEWIDE
LIEAP CUST. 1994-95
LIEAP Cust 1995-96
NUMBER of LIEAP CUSTOMERS
Thousands
0
1
2
3
4
5
6
7
639
512
1828
899
6515
5900
4102
3733
3008
2875
1909
1612
1217
1118
835
735
1162
998
1000
3000
5000
7000
9000
11000
13000
15000
17000
ANNUAL INCOME MIDPOINT $

LIEAP LEVERAGING REPORT 10/01/94-9/30/95 (LATEST)
State of Montana

SOURCE	AMOUNT LEVERAGED	HOUSEHOLDS ASSISTED	AVERAGE
BENEFITS			
MPC; Msla.Coop; FlathdCoop &MVP 10 % LIEAP Discount	$759,014 ***	11207	$68
Energy Share Contribution: $89,351 Blair Fuel Fund (Butte) $ 7,250	$96,601	396	$244
** WEATHERIZATION**			
Great Falls Gas(furnace repair/replace)	$33,148	95	$349
Wx supplier discount	$11,630	170	$68
Pacificorp Wx	$20,073	25	$803
Landlord/owner Wx	$148,698	246	$604
MPC Free Wx ***$1.0 million7/96	$659,581 ***140,000 MPC7/96	446	$1,479
TOTAL	$1,728,745		

Minutes

August 14, 1996

Meeting Attachments

1. Statewide LIEAP Comparisons
2. 1990 Census & 1994-95 LIEAP Households Income Distribution
3. Percent of Households Served by Income Range
4. Montana LIEAP Program 1995-96
5. Actual Montana Benefit Allocations
6. Benefit Allocation Options - All Households
7. Benefit Allocation Options - Average Caseload
8. Montana Low Income Energy Advisory Council Summary
9. PSC Regulated Utilities
10. Tax Alternatives
11. LIEAP Payment Summary 1995-96

Minutes of the Low Income Energy Advisory Council
August 14, 1996
10:00 a.m. - 4:30 p.m.
Public Service Commissioners Building
Helena, Montana

The meeting was called to order at 10:00 a.m. by Jack Haffey, Chairman, Low Income Energy Advisory Council. Present were: Michael Wall, representing Private Sector Non-Energy; Barbara Sullivan, representing LIEAP recipients; Mike Billings, representing the Department of Public Health and Human Services; Lee Harn, representing the General Public; Tamie Aberle (standing in for Wayne Fox), representing an Energy Related Enterprise; Honorable Nancy McCaffree, representing the Montana Public Service Commission; Sheila Rice, representing an Energy Related enterprise; Mark Simonich, representing the Department of Environmental Quality; Matt Dale, representing the General Public; Representative Royal Johnson, representing the Montana State Legislature; Alan Nicholson, representing Non-Energy Related Enterprises; Bob McLaughlin (standing in for Carl Visser), representing Non-Energy Related Enterprises; Jim Nolan, DPHHS Intergovernmental Human Services Bureau; Tom Schneider, and Kane Quenemoen.

Not present: Jay Downen, representing an Energy Related Enterprise.

Other guests attending: Glen Phelps, representing an Energy-Related Enterprise; Rachel Haberman, Energy Share; Holly Prayton, Energy Share; and John Heins, Northwest Power Planning Council.

Opening remarks were offered by Mr. Haffey clarifying the objectives for today's meeting: to arrive at a better understanding of the issues, the competition in the elective industry, and with the change in the congressional approach to funding for LIEAP.

Tom Schneider responded to the concerns and requests of the council members during the last meeting held June 26: in addition to defining what really is the eligible population of Montana, how that population compared with other Northwestern, Mountain, and Norther Plain states. Utilizing various graphs and charts distributed to each council member, Mr. Schneider explained these comparisons. Since the late 1970's when LIEAP was established, 22,000 households were being served by LIEAP. The Department of Public Health and Human Services has established guidelines indicating that a potentially broader population of eligible households, as much as 125%, are at the poverty level. There are also some liquid assets built in to ensure that the people who are receiving the assistance, in fact, do need the assistance.

Individual states have the flexibility to decide their eligibility

levels, as long as they are below the federal cap, which is 150% of poverty, or 60% of state median income. Utah, Idaho, Montana, Washington, and Oregon are within the 125% poverty level range, whereas Colorado, South Dakota, North Dakota, and Wyoming are within the 150% poverty level range. Montana is in on target with the likely participating rates and program accessibility as other neighboring states.

A concern expressed by the council members, does the program actually reaching the people who truly need it? Mr. Schneider continued on to explain that one difficulty in obtaining this data is that this comparison, available on a census basis, was based on income, therefore it does not capture the poverty level. Along with that, the state's design of it's actual benefit payments is related directly to the poverty level, targeting households by percent of poverty. Jim Nolan clarified that the Indian tribes run their own LIEAP program, however, the census data used during the meeting includes these indian tribes, which makes a impact on the accuracy of the statistics. At the request of the council, the staff looked at income tax data. The income tax data is tilted very heavily towards one and two persons, primarily single filers and primarily incomes between zero and $4,000, which correlate with students in summer jobs, etc. There is an unanswered question as to whether those are families or households who would qualify. These individuals may be claimed as dependents on the Montana form. In Mr. Schneiders' assessment of trying to define the population based on income tax data or census data, utilizing the census data is the best representation and it does suggests that there are different participation rates based on income levels.

Mr. Schneider continued to address the question of sources and uses of funds for the LIEAP Program. The Department of Public Health and Human Services has provided a two-year comparison indicating sources of funds (i.e. regular USDPHHS allotment, Leveraging Incentive Award, and carryover from prior year), and outlays of funds (i.e. heating assistance benefits, emergency & supplemental benefits, weatherization assistance benefits, state and local administration and planning, development of leveraging opportunities, and carryover to next program year). This comparison indicates the federal funds flowing through the state-administered program only.

Sheila Rice explained that Energy Share was formed because there were a group of people who fell through the cracks that are either underserved by LIEAP, or who do not qualify for LIEAP (for whatever reason). And that the council had to be aware not to box ourselves in a narrow way to LIEAP and leave a group of people unserved, both from Energy Shares' point of view and a utility point of view. Mr. Schneider concurred, stating that as we define the eligible population for purposes of the state program at the 125% of poverty (which is the state guideline) there is another group of customers that have specific needs, or are between 125% and 150% (which is

the federal cap). There are other families and households out there that are in need, necessitating different solutions or paths. However, Alan Nicholson indicated that there are a great many of the unserved eligible population consciously making the decision not to enroll in the program, for whatever reason they may have. Therefore, the figures of the potentially eligible population is well overstated.

Break for lunch.

Motion: The council moved 1) To propose a short-term solution to the home heating problems of low income households that uses historical LIEAP participation rates as the indicator of those in need of immediate assistance; 2) To development a long-term funding scenario that encompasses greater participation by those LIEAP eligible households desiring assistance; 3) To develop non-Lieap approaches to the home energy needs of low income people be explored and maximized to the greatest feasible extent.

Action: After discussion, the motion was seconded and passed.

Motion: Mr. Nicholson moved to adopt the following immediate and long-term goals and principles as presented by Mr. Schneider:

A) Affordable energy service (heating costs) for all eligible low income households,

B) Establish a long term, sustainable and stable funding mechanism and commitment, to include:

1) A reasonable level of direct payment assistance;

2) Weatherization to reduce consumption and household costs;

3) A dual track approach to serve:

a) Initial participant funding for 22,000 LIEAP households

b) Goal of increasing participation by eligible households by 10% per year for the next five years (or 50% Montana LIEAP participation by the year 2006)

i) Assure eligible households have real opportunity to access benefits.

ii) Fund and design outreach, research, education, assistance, streamlined application process, coordination of information bases/eligibility.

C) Encourage to develop a level playing field among all energy providers,

D) Distribute resources equitably based on energy costs and poverty level,

E) Administer the program(s) in equitable, efficient and streamlined manner to the benefit of the LIEAP households, energy providers and state and local program administration,

F) Encourage private and market-based strategies and resources consistent with goals,

G) Encourage private contributions and leveraging through federal/state/private efforts, and

H) Encourage flexibility and innovative programs.

Action: After discussion, the motion was seconded and passed.

Next on the agenda was a discussion of alternative ways to fund the LIEAP Program. Various alternatives proposed were:

1) Voluntary donations by the rate-payers (above and beyond the cost of their utility bill);
2) A BTU-type tax;
3) A broad energy tax that captures LIEAP funding benefits from all energy operators within the state (i.e. electric generation tax), or only to sales within Montana;
4) A tax or percentage increase on resale revenues;
5) A utility systems benefit charge;
6) Earnings off of a stock set-aside, either through a trust or foundation;
7) Tax Credits, as an inducement to get people involved;
8) Build a discount into the utility rates, spreading the rates to other customers just as they do for their employee discounts;
9) Broaden the eligibility for a utility discount, and
10) Utility bill round-up.

In closing, it was decided to hold the next meeting on Wednesday, September 11, 1996 at 10:00 a.m., in Helena, Montana; specific location to be determined.

The meeting was adjourned at 4:20 p.m.

DESCRIPTION OF ATTACHMENTS

1. **STATEWIDE LIEAP COMPARISONS**

   Compares LIEAP participation rates in the region, grouping states serving households below 130% of poverty and those serving households below 150% of poverty together.

2. **1990 CENSUS & 1994-95 LIEAP HOUSEHOLDS INCOME DISTRIBUTION**

   Contrasts numbers of LIEAP households with numbers of estimated eligible households by annual household income groupings.

3. **STATE COMPARISONS % OF HOUSEHOLDS SERVED BY INCOME RANGE**

   Depicts LIEAP participation rates by household income groupings in Montana and surrounding states.

4. **MONTANA LIEAP PROGRAM : FEDERAL FISCAL YEARS 1995 and 1996**

   Shows sources and outlays of LIEAP funding for fiscal years 1995 and 1996.

5. **ACTUAL MONTANA BENEFIT ALLOCATIONS**

   Montana utilizes a sliding scale LIEAP benefit matrix designed to reduce the level of heating cost subsidization as household income (as a percent of poverty) increases. Each year the scale is adjusted to fit caseload projections and anticipated funding. Attachment 5 depicts the subsidization ranges, caseloads and associated benefit outlays for three recent fiscal years.

6. **BENEFIT ALLOCATION OPTIONS FOR ALL HOUSEHOLDS BELOW 125% OF POVERTY**

   Attachment 6 depicts total energy need and several hypothetical subsidization ranges and resultant benefit outlay estimates associated with applying the current sliding scale benefit model to 100 percent of Montana's estimated eligible LIEAP households.

7. **BENEFIT ALLOCATION OPTIONS FOR AVERAGE ANNUAL LIEAP CASELOAD**

   Attachment 7 depicts total energy need and several hypothetical subsidization ranges and benefit outlay estimates associated with applying the current sliding scale benefit model to Montana's average annual LIEAP caseload.

8. **THE MONTANA LOW-INCOME ENERGY COMMISSION SUMMARY SHEET**

   Includes a description of the activities of the Colorado Commission.

9. **PSC REGULATED UTILITIES**

Summarizes 1995 electric and natural gas operations of Montana's regulated utilities.

10. **TAX ALTERNATIVES RELATED TO REGULATED ELECTRIC & NATURAL GAS UTILITIES**

Depicts tax alternatives that could be utilized with regulated electric and natural gas utilities to generate various levels of LIEAP funding.

11. **LIEAP BENEFIT PAYMENT SUMMARY 1995-1996**

Depicts fiscal year 1996 LIEAP benefit payments to fuel vendors and summarizes payments by heating source.

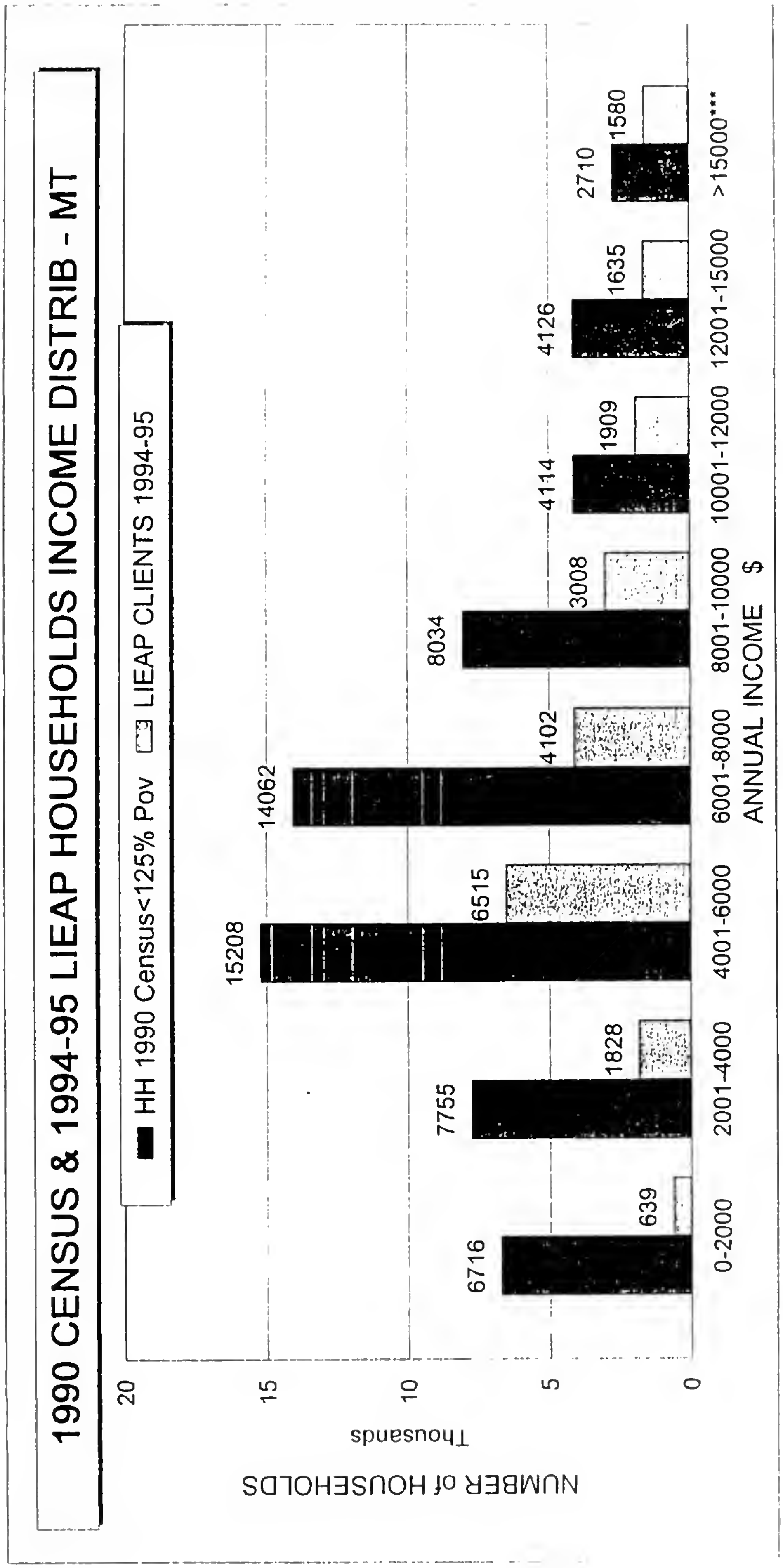
Attachment 1

STATEWIDE LIEAP COMPARISONS

	# LIEAP FY 1994	Eligible # Hseholds <125%Pov	% Served <125%	Max Elig % Poverty	1990 #Elig Hshld >150%pov or 60%SMI	% SERVED 150%or60%	"A" Norm. Jan Heating Deg Day	% LIEAP w/ Income <$8,000
Utah	34,894	78,859	44.2%	125			1224	63.1
Idaho	28,225	62,993	44.8%	130			1272	59.1
MONTANA	21,628	62,725	34.5%	125			1385	64.8
Wash	72,227	244,304	29.6%	129			905	64.8
Oregon	51,802	168,833	30.7%	125			837	63.8
NW,MTNs, No.Plains	208,776	617,714	33.8%	<130%				
Colorado	71,139			150	303,357	23.5%	1244	64.0
South Dak	17,888			140	68,882	26.0%	1513	52.1
No Dak	16,270			150	61,958	26.3%	1807	59.5
Wyoming	10,757			146	35,956	29.9%	1367	57.6
NW,MTNs, No.Plains	116,054			<150%	470,153	24.7%		
Nationwide	5,663,040	14,796,445	38.3%					67.6

NOTE "A" : Heating degree day is a standard measure of relative "coldness".
Sum of all mean day temperatures below 65%F for period (e.g.,January or annual)

Attachment 2



Attachment 3

STATE COMPARISONS
% of LIEAP Households Served by Income Range
FY 1994

	<2000	2000-3999	4000-5999	6000-7999	8000-9999	10000-11999	12000-14999	>15000
Colorado	7.2	9.9	28.7	18.2	10.5	8.4	9.0	8.0
Utah	8.0	9.6	26.9	18.6	12.7	9.6	7.7	6.9
Idaho	6.2	10.4	22.0	20.5	14.5	9.3	8.2	8.9
MONTANA	3.5	10.0	31.1	20.2	12.8	9.5	6.8	6.1
South Dak	5.0	7.0	21.4	18.7	16.0	9.5	9.7	12.6
No Dak	6.0	9.0	25.4	19.1	13.8	9.3	9.2	8.2
Wyoming	5.8	12.4	22.6	16.8	13.8	10.0	9.1	9.5
Wash	9.2	3.2	26.6	25.8	13.4	9.8	6.9	5.1
Oregon	5.8	5.5	29.1	23.4	13.8	9.1	7.0	6.3

MONTANA LIEAP PROGRAM: FEDERAL FISCAL YEARS 1995 AND 1996

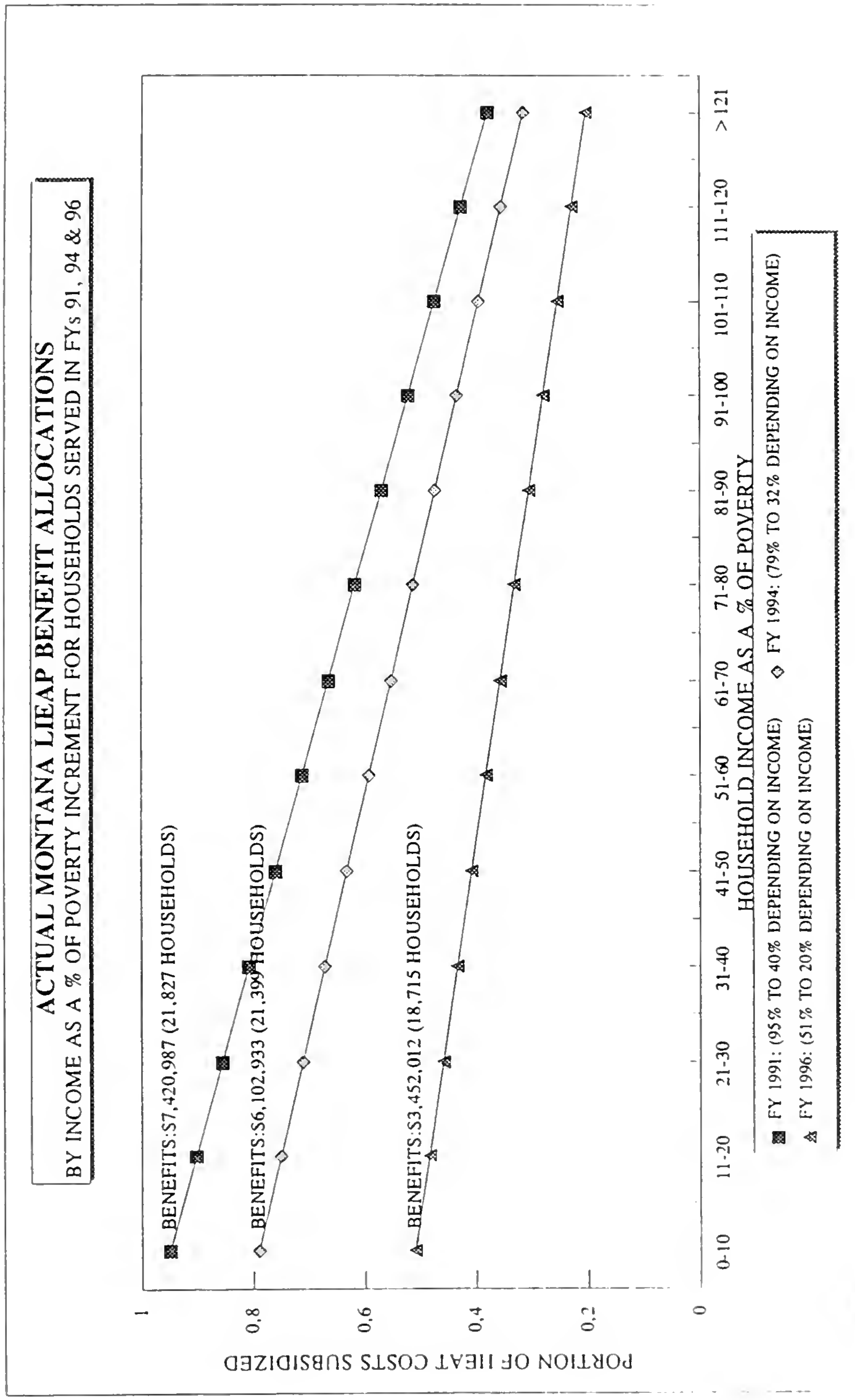
TABLE 1. SOURCES OF FUNDS

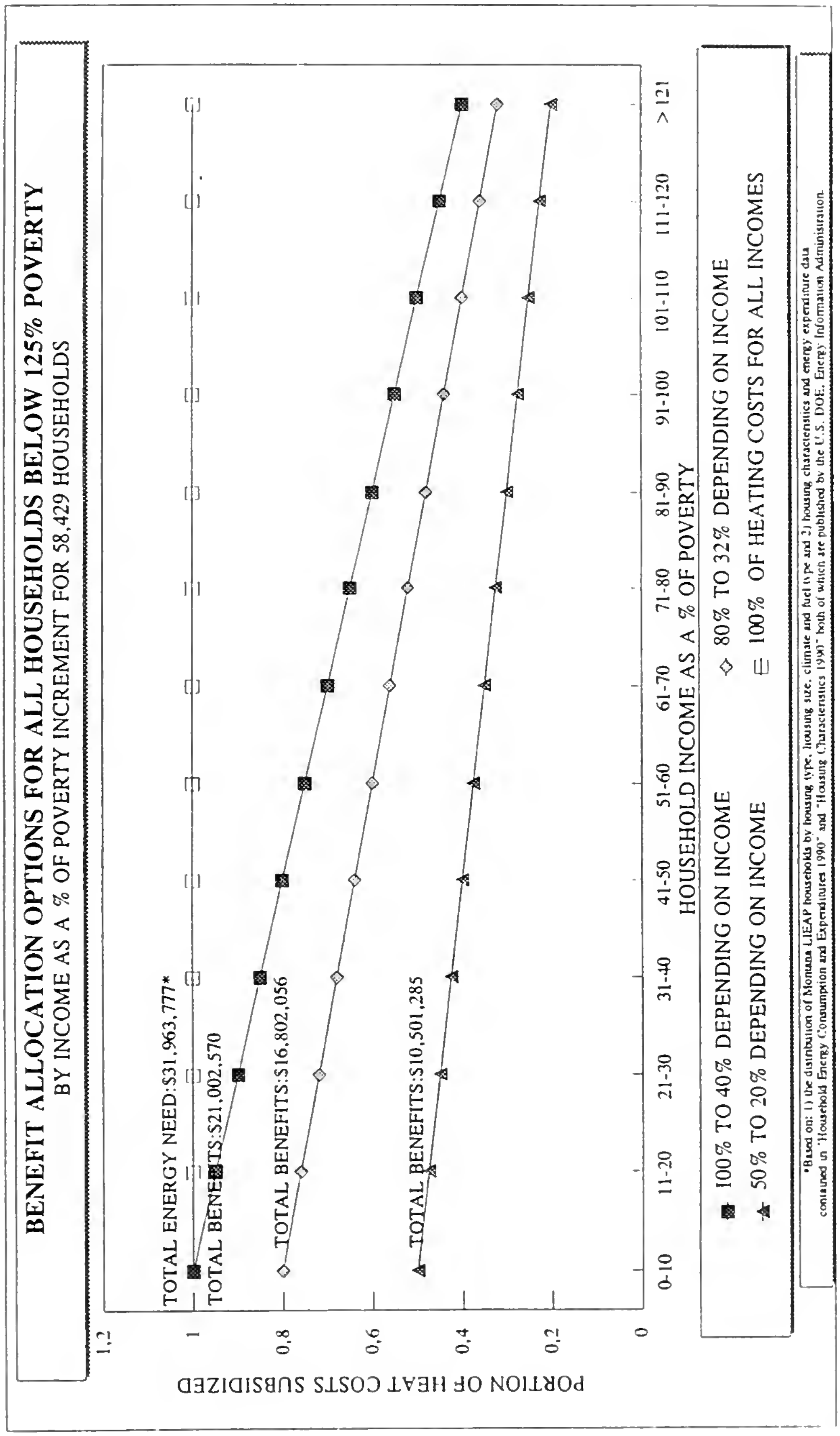
	FFY1995	FFY1996
REGULAR USDHHS ALLOTMENT (Net of Tribal Set Asides)	$8.034.493	$6.591.962
LEVERAGING INCENTIVE AWARD	$114.959	$258.052
CARRYOVER FROM PRIOR YEAR	$825.533	$373.043
TOTAL ALL FUNDS	$8.974.985	$7.223.057

TABLE 2. OUTLAY OF FUNDS

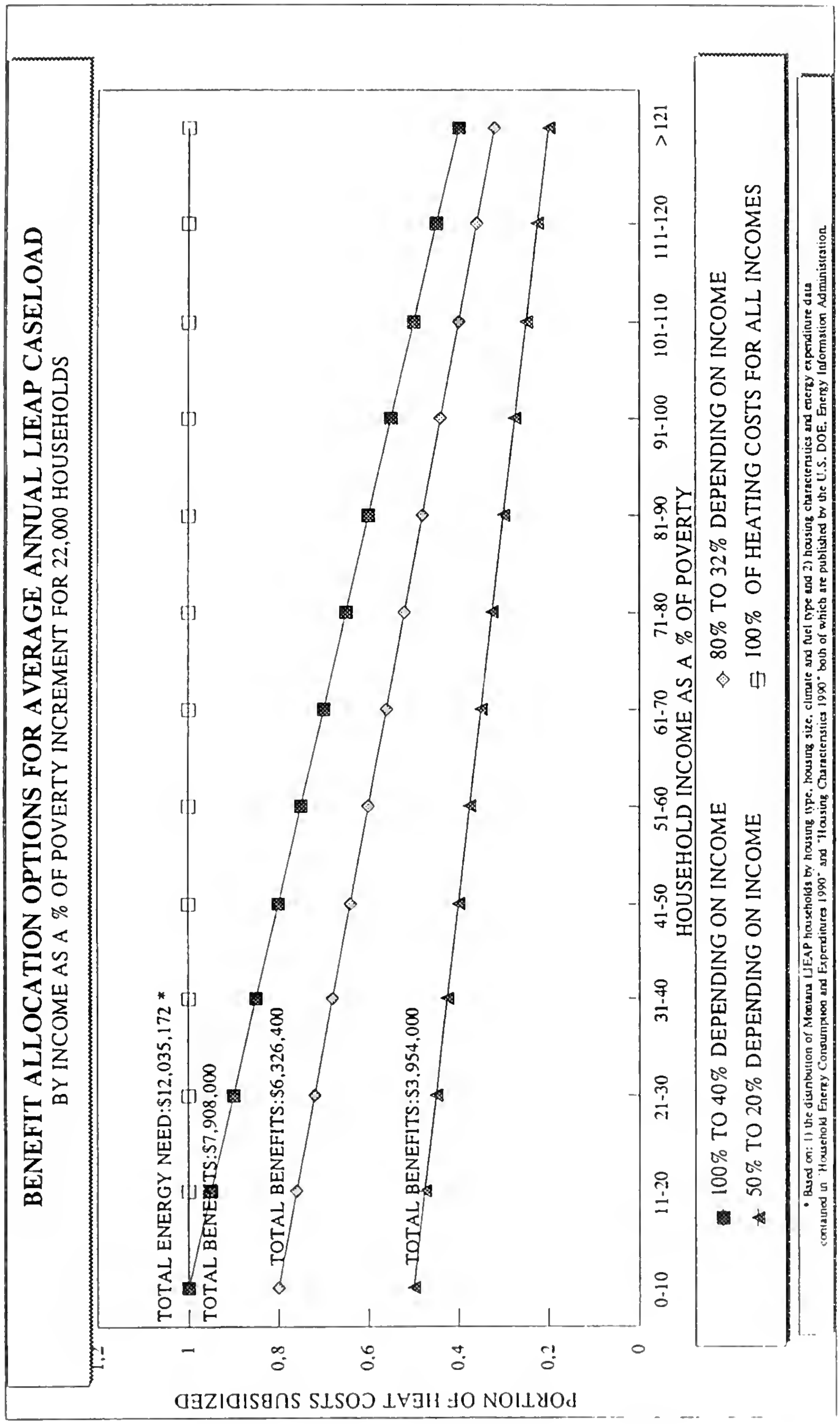
	FFY1995	FFY1996
HEATING ASSISTANCE BENEFITS	$6.041.867	$3.452.012
EMERGENCY & SUPPLEMENTAL BENEFITS	$562.968	$871.030
WEATHERIZATION ASSISTANCE BENEFITS	$1.173.015	$1.905.970
STATE & LOCAL ADMINISTRATION & PLANNING	$803.449	$569.933
DEVELOPMENT OF LEVERAGING OPPORTUNITIES	$20.643	$35.000
CARRY OVER TO NEXT PROGRAM YEAR	$373.043	$389.112
TOTAL ALL OUTLAYS	$8.974.985	$7.223.057

Attachment 5




BENEFIT ALLOCATION OPTIONS FOR ALL HOUSEHOLDS BELOW 125% POVERTY
BY INCOME AS A % OF POVERTY INCREMENT FOR 58,429 HOUSEHOLDS
PORTION OF HEAT COSTS SUBSIDIZED
0
0,2
0,4
0,6
0,8
1
1,2
TOTAL ENERGY NEED:$31,963,777*
TOTAL BENEFITS:$21,002,570
TOTAL BENEFITS:$16,802,056
TOTAL BENEFITS:$10,501,285
0-10
11-20
21-30
31-40
41-50
51-60
61-70
71-80
81-90
91-100
101-110
111-120
> 121
HOUSEHOLD INCOME AS A % OF POVERTY
100% TO 40% DEPENDING ON INCOME
80% TO 32% DEPENDING ON INCOME
50% TO 20% DEPENDING ON INCOME
100% OF HEATING COSTS FOR ALL INCOMES
*Based on: 1) the distribution of Montana LIEAP households by housing type, housing size, climate and fuel type and 2) housing characteristics and energy expenditure data contained in "Household Energy Consumption and Expenditures 1990" and "Housing Characteristics 1990" both of which are published by the U.S. DOE, Energy Information Administration.

Attachment 7



Attachment 8

THE MONTANA LOW-INCOME ENERGY COMMISSION SUMMARY SHEET

Why a Montana Low-Income Energy Commission?

The Montana Low-Income Energy Commission is envisioned as an independent, long-term, public-private partnership whose goals are:

- To develop additional financial and nonfinancial resources to supplement Montana's declining federal LIHEAP and weatherization funds;
- To raise public awareness of the unmet energy needs of Montana's low-income households;
- To operate independently of state programs in order to reduce political pressures; and
- To operate in perpetuity regardless of the status of federal, state or utility programs.

Because the stability of LIHEAP and weatherization funding is severely threatened, and utility low-income energy programs are more uncertain due to restructuring and increased competition, the need for a public-private partnership to develop ongoing funding sources for Montana is more critical than ever before.

Background

The idea of a Montana Low-Income Energy Commission originates from a model established in 1989 in the state of Colorado. Responding to an increased demand for LIHEAP assistance, coupled with a steady decline in federal funding, state LIHEAP officials convinced the governor to create a low-income energy commission.

The Colorado Commission is a public-private partnership comprised of government agencies, utilities, low-income advocacy groups, and the business community, whose purpose is to raise funds to supplement LIHEAP.

The Colorado Commission has eleven members, five who are energy suppliers, two consumers who are LIHEAP recipients, two from the general public, and one from the state agency that administers LIHEAP. Because the commission itself could not raise funds, a nonprofit fund-raising arm, the Colorado Energy Assistance Foundation (CEAF), was established, with some commission members serving on the Foundation board of directors. The Foundation is the umbrella under which supplemental resources, whether public or private, can be channeled into LIHEAP. CEAF determines how much should go to LIHEAP each year based on the amount of the federal allocation, the amount CEAF has raised, etc.

The Foundation now has its own board of directors to oversee the day-to-day workings of its operations; it meets monthly and reports to the Commission, which meets quarterly. The Foundation has three staff members; only 2 to 3 percent of all money raised goes for administrative costs.

Note that Colorado determined that the best recipient of all funds raised should be the state LIHEAP agency. This was because that agency had originated the idea for a Commission, and because it already had the network in place for determining eligibility and distributing the funds. If such a commission is established in Montana, another option is to distribute the money through Energy Share, the statewide fuel fund.

While Colorado also determined that all proceeds should go to pay energy bills for the low-income, Montana may want to dedicate some of the funds raised for weatherization, for pilot programs, etc.

Resources Leveraged by the Commission

Following are examples of the funding and other resources obtained since the creation of the Commission and CEAF:

▪ Passage of state legislation allowing 90 percent of unclaimed utility deposits, refunds and overcharges to go to CEAF (formerly unclaimed funds had gone to the state treasury). Most of the funds raised were from periodic "gas search refunds," ordered by Federal Energy Regulatory Commission when it determined that gas pipeline companies had overcharged utilities who had in turn overcharged customers. The utility members of the Commission agreed that the unclaimed deposits and refunds should go to CEAF, rather than the state, because it would eventually come back to the utilities. About $10 million has been generated from this source in the last five years.

▪ Participation in utility rate-case settlements, including the de-commissioning of a nuclear power plant, resulting in commitment of $1.5 million annually for CEAF;

▪ Large and small fund-raising campaigns; one mail campaign raised $2 million by asking recipients of a utility overcharge refund to send a portion of their refund to CEAF;

▪ Customer and corporate contributions through other energy vendors throughout the state. Once major utilities got behind the idea of a state-wide foundation, other utilities joined up so that now all major utilities and many smaller ones, including bulk fuel vendors, are represented;

▪ Donations of office space from an oil company, typewriters and office equipment from a gas company, and design and printing of a foundation brochure from a bank;

▪ $30,000 from a utility to study how LIHEAP could be operated more cheaply and efficiently;

▪ Contributions of about $200,000 from six energy providers for the purchase of a computer system and development of an automated client tracking system.

▪ CEAF also receives interest and investment earnings of about $250,000 per year.

What Accounts for the Commission's Success?

According to Glenn Cooper, state LIHEAP coordinator and Commission member, the initial support from a major utility was critical in obtaining the Governor's support. It was also critical in gaining passage of the unclaimed deposits/refunds legislation. Support by other larger utilities later helped bring others on board. The existence of the Commission and the Foundation helped bring utilities together on an issue they had not been together on before, Cooper said.

For Additional Information

Should the idea of creating a Montana Low Income Energy Commission receive support from the Governor, Cooper has assured us that at least one staff or board member from the Colorado Foundation would be willing to come to Montana and give a presentation on the Commission. Advice from such a source would be invaluable in helping key participants establish a Commission and a Foundation if one is needed.

PSC REGULATED UTILITIES
1995 Annual Reports

	ELECTRIC OPERATIONS			NATURAL GAS OPERATIONS		
	Gross Oper Revenues $	Resale Revenues	Taxable (Retail) GrossRevenues	Gross Oper Revenues	Resale Revenues	Taxable (Retail) GrossRevenues
COMPANY						
MPC	425,128,102	59,877,289	365,250,813	115,608,067	762,014	114,846,053
MDU	30,763,283	1,790,744	28,972,539	45,334,607	0	45,334,607
PACIFIC(1994	43,175,949	8,011,432	35,164,517			
Gr Falls Gas				16,811,734	0	16,811,734
Cut Bank Gas				1,229,242	0	1,229,242
Shelby Gas				820,549	0	820,549
Wash Wtr Pwr	2,165,471	747,035	1,418,436			
BlkHillsP&L	798,997	0	798,997			
	502,031,802	70,426,500	431,605,302	179,804,199	762,014	179,042,185

TAX ALTERNATIVES RELATED TO REGULATED ELECTRIC & NATURAL GAS UTILITIES
Under Various Annual LIEAP Funding Levels by State of Montana

	ELECTRIC			NATURAL GAS			COMBINED	
"A" ıssuming IEAP Benefits	"B" LIEAP Benefits Electric 17.3%est	% Increase or Tax Rate Retail	% Increase or Tax Rate GROSS	"C" LIEAP Benefits Nat. Gas 56.4%est	% Increase or Tax Rate Retail	% Increase or Tax Rate GROSS	Overall % Increase or RetailTax Rate	Overall % Increase or GROSSTax Rate
$4,000,000	692,000	0.16%	0.14%	2,256,000	1.26%	1.25%	0.48%	0.43%
6,000,000	1,038,000	0.24%	0.21%	3,384,000	1.89%	1.88%	0.72%	0.65%
	0							
8,000,000	1,384,000	0.32%	0.28%	4,512,000	2.52%	2.51%	0.97%	0.86%
	0							
10,000,000	1,730,000	0.40%	0.34%	5,640,000	3.15%	3.14%	1.21%	1.08%
	0							
12,000,000	2,076,000	0.48%	0.41%	6,768,000	3.78%	3.76%	1.45%	1.30%
	0							
14,000,000	2,422,000	0.56%	0.48%	7,896,000	4.41%	4.39%	1.69%	1.51%
	0							
16,000,000	2,768,000	0.64%	0.55%	9,024,000	5.04%	5.02%	1.93%	1.73%

NOTES
"A" Need to gross up to cover State & local administrative and other costs.
"B" Estimated 17.3% of LIEAP Benefits Paid to PSC Regulated Electric Utilities.
"C" Estimated 54.6% of LIEAP Benefits Paid to PSC Regulated Natural Gas Utilities.

Attachment 11

LIEAP BENEFIT PAYMENT SUMMARY 1995-96

COOP LIEAP BENEFIT PAYMENTS 1995-96

ELECTRIC COOPERATIVES	1995-96 LIEAP BENEFITS
Beartooth Electric	$2,793
Big Horn Electric	26,142
Big Flat Electric	200
Fergus Electric	6,017
Flathead Electric	33,864
Fall River Electric	1,420
Glacier Electric	7,692
Hill Co. Electric	449
Lincoln Electric	14,306
Marias River Electric	12,226
McCone Electric	790
Mid Yellowstone	1,121
Missoula Electric	44,760
Northern Electric	1,059
Northern Lights	11,155
Park Electric	6,741
Ravalli Co Electric	21,557
Sheridan Electric	127
Southeast Electric	202
Sun River Electric	4,366
Tongue River	4,449
Valley Electric	568
Vigilante Electric	9,873
Yellowstone Valley	20,915
COOP TOTAL	$232,792

PSC REGULATED ELECTRIC & GAS UTILITIES

PSC REG	1995-96 LIEAP BENEFITS	Electric (est)	Gas(est)
MPC	1,768,903	464,646	1,304,257
MDU	400,633	11,532	389,101
PP&L (elec)	135,454	135,454	
G F GAS	152,150		152,150
Cut BankGas	11,730		11,730
Shelby Gas Assoc	7,279		7,279
TOTAL REG	2,476,149	611,632	1,864,517
OTHER GAS			
Town of Kevin(gas)	760		760
Town of Sunburst(gas)	1,938		1,938
Town of Westby(prop)	372		372
OTHER Electric			
Mission Valley Power	73,303	73,303	
City of Troy P&L	10,292	10,292	
TOT OTHER ELEC & GAS	86,665	83,595	3,070

VENDOR FUEL	TOTAL
PSC Reg Elec & Gas	$2,476,149
Other Elec & Gas	86,665
COOPS Elec	232,792
TOTAL Elec & Gas	$2,708,941
Delivered Fuel	653,455

SUMMARY of LIEAP BENEFIT PAYMENTS 1995-96 ***estimated***

		ELECTRIC	GAS	Propane	Fuel Oil	Wood	Coal
EST. STATEWIDE TOTAL 5/31/96	$3,694,337	956,938	2,083,945	433,044	110,697	103,821	5,892
% of Total Benefits by Heating Source		25.9%	56.4%	11.7%	3.0%	2.8%	0.2%

NOTE: StatewideTotals Differ from Vendor totals due to Differing Report Dates
ALSO: Statewide Electric - Coops - Other Elec = CALC est of 17.3% PSC Reg utility benefits

Minutes

September 11, 1996

Meeting Attachments

Tax Alternatives for Electric & Natural Gas Utilities
Tax Alternatives for Electric Cooperatives
Tax Alternatives for Propane Companies
Characteristics of Funding Alternatives
Tucson Electric Power LIFE Fund
MCA 90-8-202
Summary of LIEAP Funding Requirements
Cost & Funding Allocation of LIEAP
MPC LIEAP Discount Scenarios
Impact of Great Falls Gas LIEAP Discount

Minutes of the Low Income Energy Advisory Council
September 11, 1996
10:00 a.m. - 3:50 p.m.
Public Service Commissioners Building
Helena, Montana

The meeting was called to order at 10:00 a.m. by Mike Billings, acting Chairman, Low Income Energy Advisory Council. Present were: Barbara Sullivan, representing LIEAP recipients; Lee Harn, representing the General Public; Wayne Fox, representing an Energy Related Enterprise; Kate Whitney (standing in for Nancy McCaffree), representing the Montana Public Service Commission; Sheila Rice, representing an Energy Related Enterprise; Tom Livers (standing in for Mark Simonich), representing the Department of Environmental Quality; Matt Dale, representing the General Public; Representative Royal Johnson, representing the Montana State Legislature; Alan Nicholson, representing Non-Energy Related Enterprises; Carl Visser, representing Non-Energy Related Enterprises; Gary Wiens, (standing in for Jay Downen), representing an Energy Related Enterprise; Jim Nolan and Kane Quenemoen, DPHHS Intergovernmental Human Services Bureau; and Tom Schneider.

Not present: Michael Wall, representing Private Sector Non-Energy Enterprise.

Other guests attending: Gregg Groepper, Energy Share of Montana; Rachel Haberman, Energy Share of Montana; and Glen Phelps, representing an Energy Related Enterprise.

Opening remarks were made by Mr. Schneider summarizing remarks made at the end of the last meeting that, although a motion was not made, direction was given by the council that the design for the basic LIEAP program be predicated on the *"Benefit Allocation Options For Average Annual LIEAP Caseload By Income as a % of Poverty Increment for 22,000 Households"* (graph 7 distributed with agenda packet on August 14, 1996).

Motion: Mr. Visser made the motion to fund the basic LIEAP assistance program at the level necessary to provide sliding scale benefits to cover 100% of the home heating costs of households at 0% of poverty scale, and 40% of the home heating costs of households at 125% of poverty. The base annual cost of this distribution method is approximately $7.9 million for 22,000 LIEAP households.

Action: After discussion, it was decided not to make a motion at this time, but to use this information for formal guidance. Mr. Visser withdrew his motion.

Next on the agenda was a discussion of Public Funding Mechanisms. Mr. Schneider explained the concept that energy/utility providers serve the low income customers and receive the low income benefits to help pay for those bills to use those companies (and the revenues associated with those companies) as a taxing mechanism to fund the state's participation in the LIEAP program. (Reference agenda packet, page 4, *"Tax Alternative Related to PSC Regulated Electric & Natural Gas Utilities"*). Currently, the total benefit level is $8 million. It assumes (in round terms) that the

federal participation will be similar to what it was last year, leaving the state's commitment to LIEAP benefits at approximately $4 million. Regulated electric utilities currently receive approximately 17.3% of the total LIEAP benefits (i.e. benefits flowing from the state to the electric utilities); and natural gas receives approximately 56.4%. A third alternative is combined electric and gas. There are (2) existing taxes based on the gross operating revenues of utilities: gross operating revenues and gross retail operating revenues. The Department of Revenue has already established a reporting system to monitor these revenues. Mr. Schneider further discussed the possible tax alternatives related to electric cooperatives, propane and fuel oil under various annual LIEAP funding levels by the State of Montana. Mr. Schneider also stated that the council must decide if they wish to pursue a tax alternative for LIEAP funding on a standalone basis, or in combination (known as the Electrical Energy Producer's License Tax).

Mr. Schneider then continued with the *"Summary of LIEAP Subsidy and Funding Requirements for Selected Participant Counts"* created by Mike Billings. This summary indicates LIEAP populations increasing from 20,000 to 30,000 clients. If increased participation does occur, this summary reflects the associated taxes and resulting impacts from these taxes on an annual basis. Mike explained that this chart demonstrates the total cost of LIEAP subsidy, assuming 100% for those in the 0% of poverty level to 40% for those in the 125% poverty level, with an annual average of $550.00 LIEAP heat costs. Presuming that the federal share of LIEAP subsidy is $4.3 million (based on this year's figures), the non-federal share (i.e. State of Montana share) would be $2.7 million for a LIEAP population of 20,000. Mr. Billings further explained the impact of these increases, including regulated utility comparisons and regulated plus other energy company comparisons. Mr. Fox expressed his concern that the largest customers would pay a higher portion of the responsibility because they use more energy. Mr. Schneider responded by stating that he envisions the existing relationships between the different classes of customers (e.g. small business, large business, large industrials, irrigators) would not be changed. When utilities have an overall percentage increase, most utilities apply that uniform percentage increase to all of their classes and all of their tariffs, so that the relationships between the rates are not changed. Yes, they pay more in dollars, but their relative share in the utilities' total cost is not changed.

Break for lunch.

The discussion continued on alternative taxing mechanisms, specifically on utility rate-payer alternatives that have various similarities to the taxing mechanisms. Mr. Phelps explained that Montana Power Company (MPC) is participating in a regional review process that involves four Northwestern States (Oregon, Washington, Idaho & Montana) by direction of the governors of those states. One of the issues MPC will be facing involves restructuring the competition in the utility industry. MPC must determine a mechanism to create a level playing field among the competitors, and still provide appropriate and adequate services to all low income customers to keep market transformation going now that it's been developed, and to address some issues with renewable resources and future generation projects. The Market Transformation Trust Convening Committee, chaired by David Hauser, is tasked with this restructuring. Their purpose is to look at what the impact of competition restructuring might be to the utility customers in the Northwest

(including public utilities, utility cooperatives, small income advocates, and conservationist groups). The committee is prepared to make a recommendation to these governors to tax the participating utilities at the rate of 3% of their gross annual revenues, which will create a pool of approximately $200 million dollars to further market transformation; 60% of that pool would be directed towards low income issues, conservation, etc., and 40% would be directed towards longer transformation issues, renewable resources and major generation. Montana Power's prospective 3% of their gross annual revenues would be in the $10 - $15 million dollar range, resulting in approximately $2 dollars/meter per year for their customers. This money is put into a trust and administered on a state level as opposed to a regional level. On a per capita basis, the impact would be the same for each state. There is no indication as of yet as to what percentage of the $200 million dollars would be directed towards low income issues. Once the committee makes its recommendation to the state governors, they will be tasked with directing the initiation of legislation at their level, or at the representatives' level. California has developed a universal Systems Benefits Charge of $600 million dollars annually; 60% goes towards low income issues and conservation (i.e. long term generation issues). California has not gone as far as to recommend the implementation mechanisms, however, it appears that the collection mechanism will be at the retail level. As for the four Northwestern States, there has been no recommendations yet as to what type of collection mechanisms would be pursued.

If each state approves the recommendations presented by the Market Transformation Trust Convening Committee, Mr. Nicholson recommended that the LIEAP Advisory Council be fully aware of what that potential could be, and to try to incorporate it into the LIEAP Councils scenario. He also suggested that the Council put forth a draft of the recommendations for LIEAP funding to the governor for review prior to the Legislative session. Mr. Johnson agreed, and further suggested that these recommendations be prioritized.

Next on the agenda: LIEAP Rate Discounts. This approach is currently used by several utility cooperatives now, as well as MPC. Mr. Schneider explained that ratepayers of a respective company would fund a discount similar to one that's in place at MPC (reference *"Montana Power Company LIEAP Discount Scenarios"* handout). Conceptually, this rate discount is similar to a tax except that it would be a LIEAP discount, and the benefits would flow directly to the LIEAP recipients in the form of a discount. The existing discounts on Montana power systems and other systems are a uniform percentage (e.g. if you are a qualifying LIEAP customer you get 10% reduction in the rate that you pay). Mr. Schneider points out one refinement that could be done to address this income scaling is to build an income poverty scale into the discount. This approach has some real merit in terms of immediate responsiveness to rates. It is spread among all customers, and it could be done now (for this winter season) providing the utility companies submit an application to support it themselves on a voluntary basis, or through a normal rate case process. The biggest problem we face with a tax approach is that federal funds have declined, and even under the best of circumstances (the council recommends, the administration pursues, and the Legislature adopts) a tax mechanism is not going to be available until the next cycle. The utility companies could take the leadership role and voluntarily go before the commission to get it now and not lose a year in the process, with the commitment that they would be supporting the legislative solution in the upcoming

session, and the discount could be reduced or eliminated if the grand solution were adopted by the Legislature; no one would be put at a disadvantage (reference handout *"Characteristics of Funding Alternatives",* Item VII).

Mr. Schneider went on to discuss Non-LIEAP approached to funding (reference handout *"Characteristics of Funding Alternatives"*, Item VIII), specifically:

- Nonprofit fuel fund (Energy Share) exists and has considerable experience in serving the supplemental emergency needs of LIEAP customers, as well as customers in need who do not participate in LIEAP. This has been funded through private and corporate contributions.

- Targeted contributions from the State of Montana. For example, if the Council decides that, yes, the State has an equity role in assuring that this unserved population does receive emergency assistance provided through Energy Share, the State may want to match their funds in the form of:

  1) A one-time contribution.
  2) An annual contribution matching 25%, 50% or 100% of the funds that Energy Share is able to obtain through private contributions.
  3) An endowment or trust fund; earnings from a trust fund could be targeted for Energy Share for distribution.
  4) An investment tax credit; the State of Montana would establish an investment tax credit and target the earnings towards Energy Share for distribution.
  5) A fund established by the utility stock holders; earnings from this fund could be targeted for Energy Share for distribution.

Mr. Groepper, with his experience in dealing with property and income taxes, suggested that it may be a mistake for the Council to submit a package dealing strictly with LIEAP. Mr. Groepper stated that Energy Share is running on a budget of approximately $200,000 this year for benefits. The total number of families served is 647; approximately 50% are LIEAP, and 50% are non-LIEAP. A total of 295 families were turned away due to lack of funds. He estimated that $3 million dollars set up in a foundation would guarantee the ability to meet the level of emergencies that arise. Energy Share receives approximately $20,000/year from the State of Montana dedicated specifically for the population in the 125% to 150% poverty level that have fuel emergencies. This population is better at paying back the funds that Energy Share has paid out (helping to make them self sufficient), as opposed to the population below the 125% poverty level because they don't have the resources to make that payment back. Here's a program available to all Montanans if the need arises. Mr. Groepper encourages the Council to create a mechanism for Energy Share (or something along those lines) as a part of this package as a fairness issue. Mr. Groepper also suggested that the Council create a type of incentive for people to donate money from the private sector above and beyond whatever is decided for Legislature. Right now, corporations have a small incentive to give to Energy Share because it's a charitable contribution, but they are limited to 5% of their taxable income before they make that contribution. An incentive should be created to make it easier for a

corporation to make a donation or [ideally] to set aside money in a foundation environment (e.g. stock, cash) to perpetually fund programs such as Energy Share. A tax credit should be considered to accomplish this, in addition to a charitable contribution. When considering a tax credit, it could be created over a certain number of years, or until this fund grows to self sufficiency. It would be easier to sell a tax credit to Legislature and the general public than it would to have everyone in Montana pay an additional tax (reference *"Characteristics of Funding Alternatives", Tucson Electric Power Creates LIFE Fund"*, pg 3).

Mr. Nicholson quoted from the MCA 90-8-202, *Designation of qualified Montana capital companies - designation of qualified Montana small business investment capital company - tax credit*: "A Small corporation, partnership, trust, decedent's estate, or corporate taxpayer that makes a capital investment in a qualified Montana capital company or the qualified Montana small business investment capital company is entitled to a tax credit equal to 50% of the investment, up to a maximum credit for investments in all qualified Montana capital companies of $150,000 per taxpayer, except that, as applied to the qualified small business investment capital company, the maximum tax credit is $250,000." He suggested this be established in a way that Legislature could stipulate: 1) the people eligible to make the contribution, 2) the level of tax credit that could be received, 3) the percentage of their investment they could get back in return as a tax credit, and 4) how much total they can get in return. "The tax credit allowed is to be credited against the taxpayer's income tax liability or coal severance tax liability for the taxable year in which the investment in a qualified Montana capital company or the qualified Montana small business investment capital company is made". Mr. Nicholsons' only concern is if this can be structured in such a way that it will pass through Legislature.

Council requested Staff to prepare a list of all LIEAP Funding Alternatives discussed, and the advantages and disadvantages of each. It was also requested that this list be mailed out to the committee early enough to enable each member to review the list, make any necessary comments/changes, then return to Staff prior to the next meeting.

Mr. Nicholson volunteered to prepare various scenarios including a write-off program at the regulated (utility) level, as well as a program at the non-regulated (cooperatives) level. He would also like to prepare, with Mr. Groeppers' assistance, a tax investment credit stock plan for review at the next meeting.

In closing, it was decided to hold the next meeting on Wednesday, October 23, 1996 at approximately 10:00 a.m., in Helena, Montana; specific location to be determined.

The meeting was adjourned at 3:50 p.m.

TAX ALTERNATIVES RELATED TO PSC REGULATED ELECTRIC & NATURAL GAS UTILITIES
Under Various Annual LIEAP Funding Levels by State of Montana

BASE LEVEL 22 000 LIEAP CLIENTS 1996-98

LIEAP FUNDING SCENARIOS			ELECTRIC			NATURAL GAS			COMBINED ELECTRIC & GAS	
Assuming TOTAL LIEAP Benefits	Assuming FEDERAL LIEAP Benefits	"A" State of MT LIEAP Benefits	"B" LIEAP Benefits Electric 17 3%est	$431 6 mill % Increase or Tax Rate Retail	$502 0 mill % Increase or Tax Rate GROSS	"C" LIEAP Benefits Nat Gas 56 4%est	$179 0 mill % Increase or Tax Rate Retail	$179 8 mill % Increase or Tax Rate GROSS	$610 6 mill Overall % Increase or RetailTax Rate	$681 8 mill Overall % Increase or GROSSTax Rate
$8 000 000	$0	$8,000,000	1,384 000	0 32%	0 28%	4,512,000	2 52%	2.51%	0 97%	0 86%
8 000,000	1,000 000	7 000 000	1 211 000	0 28%	0 24%	3,948 000	2.21%	2.20%	0.84%	0 76%
8 000,000	2 000 000	6 000 000	1 038,000	0 24%	0 21%	3,384,000	1 89%	1.88%	0 72%	0 65%
8 000 000	3,000 000	5,000,000	865 000	0 20%	0 17%	2,820,000	1 58%	1.57%	0 60%	0 54%
8 000 000	4,000,000	4,000 000	692 000	0 16%	0 14%	2,256,000	1.26%	1.25%	0 48%	0 43%
8 000,000	5 000 000	3,000,000	519,000	0 12%	0 10%	1,692,000	0 95%	0.94%	0 36%	0 32%
8 000 000	6 000 000	2 000 000	346 000	0 08%	0 07%	1,128,000	0 63%	0 63%	0.24%	0 22%
8 000 000	7 000 000	1 000,000	173 000	0 04%	0 03%	564,000	0 32%	0.31%	0 12%	0 11%
8 000 000	8 000 000	0								

NOTES
"A" Need to gross up to cover State & local administrative and other costs
"B" Estimated 17 3% of LIEAP Benefits Paid to PSC Regulated Electric Utilities
"C" Estimated 54 6% of LIEAP Benefits Paid to PSC Regulated Natural Gas Utilities.

TAX ALTERNATIVES RELATED TO ELECTRIC COOPERATIVES
Under Various Annual LIEAP Funding Levels by State of Montana
BASE LEVEL : 22,000 LIEAP CLIENTS 1996-98

AP FUNDING SCENARIOS @ Advisory Council $ 8.0 million

p LIEAP %	6.30%
p Revenues	$141,540,053

LIEAP FUNDING SCENARIOS			ELECTRIC COOPS	
uming TAL AP Benefits	Assuming FEDERAL LIEAP Benefits	"A" State of MT LIEAP Benefits	"B" LIEAP Benefits Electric 6.3%est	$141.54 mill % Increase or Tax Rate Retail
$8,000,000	$0	$8,000,000	504,106	0.36%
8,000,000	1,000,000	7,000,000	441,000	0.31%
8,000,000	2,000,000	6,000,000	378,000	0.27%
8,000,000	3,000,000	5,000,000	315,000	0.22%
8,000,000	4,000,000	4,000,000	252,000	0.18%
8,000,000	5,000,000	3,000,000	189,000	0.13%
8,000,000	6,000,000	2,000,000	126,000	0.09%
8,000,000	7,000,000	1,000,000	63,000	0.04%
8,000,000	8,000,000	0	0	0.00%

NOTES
"A" Need to gross up to cover State & local administrative and other costs.
"B" Estimated 6.3% of LIEAP Benefits Paid to Electric Cooperatives

TAX ALTERNATIVES RELATED TO PROPANE & FUEL OIL
Under Various Annual LIEAP Funding Levels by State of Montana

BASE LEVEL 22,000 LIEAP CLIENTS 1996-98

LIEAP FUNDING SCENARIOS
@ Advisory Council $ 8.0 million

			PROPANE (LPG)			DISTILLATE FUEL		
				1992 EIA SALES $31,100,000	Non Transport Propane Sales of 42 million gallons		EIA 1992 Nontransport SALES $107,200,000	Non Transport Distillate Sales 134 million gal
TOTAL LIEAP Benefits	FEDERAL LIEAP Benefits	"A" MONTANA LIEAP Benefits	"B" LIEAP Benefits PROPANE(LPG) 11.7%est	% Increase or Tax Rate	TAX $/gal	"C" LIEAP Benefi Distillate / FUEL OIL 3.0%est	% Increase or Tax Rate	TAX $/gal
$8,000,000	$0	$8,000,000	$936,000	3.01%	$0.022	$240,000	0.22%	$0.0018
8,000,000	1,000,000	7,000,000	819,000	2.63%	$0.020	210,000	0.20%	$0.0016
8,000,000	2,000,000	6,000,000	702,000	2.26%	$0.017	180,000	0.17%	$0.0013
8,000,000	3,000,000	5,000,000	585,000	1.88%	$0.014	150,000	0.14%	$0.0011
8,000,000	4,000,000	4,000,000	468,000	1.50%	$0.011	120,000	0.11%	$0.0009
8,000,000	5,000,000	3,000,000	351,000	1.13%	$0.008	90,000	0.08%	$0.0007
8,000,000	6,000,000	2,000,000	234,000	0.75%	$0.006	60,000	0.06%	$0.0004
8,000,000	7,000,000	1,000,000	117,000	0.38%	$0.003	30,000	0.03%	$0.0002
8,000,000	8,000,000	0		0.00%	$0.000		0.00%	$0.0000

"A" Need to gross up to cover State & local administrative and other costs.
"B" Estimated 11.7% of LIEAP Benefits Paid to PROPANE Vendors.
"C" Estimated 3.0% of LIEAP Benefits Paid to Fuel Oil Vendors.

DRAFT

TAX ALTERNATIVE for LIEAP FUNDING on STANDALONE BASIS or in COMBINATION

ELECTRICAL ENERGY PRODUCER'S LICENSE TAX

All Proceeds to General Fund

Tax Rate $0.0002/KWH

EXAMPLE
Target to LIEAP Wx

	Tax Revenue	Tax Rate	Calculated Electric Generation kwh	MT Tax rate for LIEAP Wx @ $2,400,000 $/Kwh	MT Tax rate for LIEAP Wx @ $1,800,000 $/Kwh	MT Tax rate for LIEAP Wx @ $1,200,000 $/Kwh	MT Tax rate for LIEAP Wx @ $600,000 $/Kwh
1991	3,906,194		19,530,970,000				
1992	4,937,510		24,687,550,000				
1993	4,232,200		21,161,000,000				
1994	3,728,365		18,641,825,000				
1995	3,885,910		19,429,550,000				
TOTAL	20,690,179		103,450,895,000				
Average5yr	4,138,036	$0.00020	20,690,179,000	$0.000116	$0.000087	$0.000058	$0.000029
Tot Last 3yr	11,846,475		59,232,375,000				
Ave Last 3yr	3,948,825	$0.00020	19,744,125,000	$0.000122	$0.000091	$0.000061	$0.000030

Conceptual Options:

All or a portion of the Electrical Energy Producer's License Tax could be allocated to LIEAP Wx & or Benefits

An increment could be added to the existing tax targeted to LIEAP Wx or Benefits

ATTRIBUTES:

Montana is a net producer of electricity and the tax is, therefore, paid in part by sales outside MT.
For example, the ownership of Colstrip 1 & 2 is 50% MPC and 50% Puget Sound P& L.
and Colstrip 3&4 are owned 30%MPC and 70% other N.W. utilities.

The existing electricity production tax revenue goes to the General Fund.

Low income conservation(Wx) (and assistance) relates to energy and electric needs more directly than general fund.

Disadvantage??

Makes MT electric generation slightly more expensive than other generation (all other things being equal).

CHARACTERISTICS of FUNDING ALTERNATIVES

I. Tax on Gross Operating Revenues (GOR) or Retail GOR of Electric & Natural Gas Utilities (PSC Regulated)

- Existing Tax Basis for PSC & Consumer Counsel taxes.
  MDOR administers and provides estimates for budget purposes
  MDOR reporting mechanism exists
  Administrative costs minimized
- Relates LIEAP benefits and costs to the energy services
- Distribution / transmission is expected to remain regulated monopoly / utility

II. Tax on "retail" (point of sale) electric & natural gas sales to Montana consumers i.e., sales for ultimate use in MT

- Similar to GOR tax in relating LIEAP costs and benefits to energy services
- Distribution / transmission is expected to remain regulated monopoly / utility
- FERC recognizes that competitive retail sales over interstate transmission involve a local distribution component (e.g., subtransmission or @ meter) where PSC may establish a competitive transition charge (CTC) to cover allowable stranded costs and/or uniform system benefit charge to cover low income, conservation, environmental, renewables or other values

III. Retail Sales Tax or GOR tax on Electric Cooperatives equivalent to I. & II. for PSC Regulated Utilities

- Generally, same characteristics as I. & II.
- Would extend tax to Coops
- Some added MDOR admin & reporting required

IV. Electrical Energy Production Tax

- Existing tax produces about $4.1 million annually. Proceeds to General Fund
- MDOR Administration and reporting in place
- Could add to existing tax or allocate all or a portion to LIEAP Wx &/or Benefits
- Relates LIEAP benefits and costs to electricity production (coal; hydro;etc.)
- MT is a net producer of electricity. Portion of tax would be paid outside MT

V. Coal, Oil, Natural Gas Severance Taxes

- Existing taxes produce $. Proceeds to variety of State & local programs.
- MDOR Administration and reporting in place
- Could add to existing tax or allocate a portion to LIEAP Wx &/or Benefits
- Relates LIEAP benefits and costs to electricity production (coal; hydro;etc.)
- Portion of tax would be paid outside MT

VI. Tax on propane and fuel oil sales

- See Coop Tax in III.
- New tax would need to be enacted. MDOR administrative costs necssary
- Necessary for level playing field among fuels
- LPG and fuel oil vendors have LIEAP customers and receive LIEAP benefits
- Relates LIEAP benefits and costs to the energy services
- Possible that vendors could volunteer to establish a LIEAP discount to produce equivalent benefits

VII. Utility LIEAP Rate Discount

- Could be instituted on **expedited basis** by PSC w/o legislation if utilities applied
- Could be allowed or directed by Legislation e.g., 20 % or Council equivalent
- REMINDER: ratepayers pay utility taxes, therefore, effect comparable to energy tax approaches
- Represents a direct universal or uniform system benefit charge funding level which would be levied via nonbypassable tariff @ point of sale
- Identifies and maintains energy use profile for LIEAP sub-class
- Administratively simple and approach "experienced". Subject to PSC review.
- Responds immediately to rate changes (+ or -)
- Applies to all household use.
- All ratepayers pay LIEAP discount cost in proportion to overall cost responsibility established by PSC
- Poverty scale could be incorporated into LIEAP discount (similar to LIEAP matrix)
- Eligibility could be broadened to increase participation (medicaid,AFDC,Food Stamps, SSI, etc.)

VIII. Non-LIEAP Approaches

- Nonprofit fuel fund (Energy Share) exists and has considerable experience
- Targeted contributions from State via
  - tax credit mechanism;
  - endowment / trust fund $;
  - roundup or other voluntary tax or utility checkoff approaches
- Serves the third goal of Advisory Council in reaching non-LIEAP low income needs
- Offers the potential for flexibility and innovation
- Important dimension for affirmative outreach to address equity concerns and

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Fax # 449-3668	Fax #	

Tucson Electric Power Creates LIFE Fund

One bright spot amid the news of cutbacks and the uncertain future of low-income energy programs is Tucson Electric Power Co.'s creation of the LIFE Fund, a low-income energy endowment.

The company is setting aside $4.5 million in shareholder funds as the Low-Income Fund for Emergencies (LIFE) Fund. The interest generated from the fund—estimated to be about $250,000 per year—will be used to offset cuts in LIHEAP.

The fund is the brainchild of company executives and Betsy Bolding, the utility's consumer affairs director. Working under the assumption that the future will only bring more scarcity in funds, the company felt that now is the time to begin 'cushioning' efforts.

Bolding pointed out the 'win-win' nature of the fund: "The interest does come back into the company, but in a different form," she said. "It comes back after having helped low-income customers pay their bills."

Though the details of how the fund will function and which non-profit agencies will manage it have yet to be worked out, Bolding envisions a "seamless" connection to the LIHEAP program with the same rules and program requirements.

"We'll be looking to the agencies that administer LIHEAP to provide expertise to help us to design this so it works for them," Bolding said.

The state's utility regulatory body, the Arizona Corporation Commission, formally approved the creation of the fund March 27 as part of a rate case decision. The interest disbursements will begin next year.

Alabama Power Co. initiated a similar trust program in 1992. Called the Alabama Business Charitable (ABC) Trust, it, too, provides funding to supplement the LIHEAP program, among other program areas.

For more information on Tucson Electric's fund, contact Bolding at Tucson Electric Power Co., P.O. Box 711, Tucson, AZ 85702; (602) 884-3984.

LOW-INCOME ENERGY RESOURCES

A Manual for Leveraging Funds in Energy Markets With the Low-Income Home Energy Assistance Program, by the National Energy Assistance Directors' Association, March 1996.

This publication is a result of a contract between the LIHEAP Clearinghouse and the National Energy Assistance Directors' Association (NEADA).

As part of the contract, NEADA has established an Energy Markets Leveraging Project to provide expertise to LIHEAP grantees on leveraging funds in energy markets, with particular emphasis on the current and the changing utility regulatory environment as it impacts low-income energy programs.

including LIHEAP leveraging data, background information on utility rate cases such as low-income intervenor positions on incentive ratemaking, low-income demand side management testimony from Texas and Massachusetts, the California-Nevada Community Action Association's comments on utility restructuring in California, and a bibliography and other referrals.

Copies of the manual and appendices are available from the LIHEAP Clearinghouse, (800) 445-5581. (Copies have already been sent to state LIHEAP grantees).

In addition to the manual, NEADA will provide telephone consultation and information services to assist LIHEAP grantees in assessing market opportunities for leveraging in their states, and to help develop strategies and tactics to take advantage of those opportunities.

For more information, contact Mark Wolfe, NEADA Executive Director, (202) 237-5199.

Financing A National Universal Service Fund (USF) for Residential Home Energy, by Roger Colton, Fisher, Sheehan and Colton, Public Finance and General Economics, March 1996.

This publication proposes, suggests a structure for, and projects costs (utility-by utility) of an electricity-based charge through which to finance a low-income universal service fund as an alternative to federal LIHEAP funding.

One option suggests financing the USF through a charge on all retail consumption, with each state imposing a charge to make up for the difference between current LIHEAP funding and 1986 levels, or through a national USF funded by a uniform national per-kilowatt-hour charge.

A second alternative looks at financing the USF through a charge on residential consumption only. Again, one scenario would have each state impose a charge to replace lost LIHEAP funding; a second scenario would create a national USF funded by a uniform national per-kwh charge.

The report's extensive tables show that under all options electricity price increases would be moderate, ranging from one to ten percent. Colton recommends that not all benefits of a USF be cash benefits; rather, he suggests, bill reductions can also be delivered through energy efficiency improvements.

For a copy of the report, contact Colton at Fisher, Sheehan and Colton, 34 Warwick Road, Belmont, MA 02178; (617) 484-0597.

(4) Certification is a prerequisite to and must be completed before seeking designation as a qualified capital company or as the qualified Montana small business investment capital company.

(5) To be eligible for certification under this section as the Montana small business investment capital company, the applicant shall commit to:

(a) utilize the tax credits to accumulate private capital with the intention of being designated a small business investment corporation by the United States small business administration as provided in Title III of the Small Business Act of 1958, as amended, and as implemented under 13 CFR 107;

(b) target its investments as a small business investment capital company toward commercialization projects emerging from centers of excellence and entrepreneurship, federal laboratories, the federal small business innovative research program, the federal cooperative research and development agreement program, Montana university system research and development, the Montana board of science and technology development (second stage), small business incubators, community development block grant programs, and projects emerging from economic development programs of Montana certified communities with the objective of providing significant investment opportunities in an area where economic development capital is limited;

(c) consider investment opportunities originating in any Montana county; and

(d) adopt investment guidelines that ensure that not less than 10% of its available capital is invested in counties with populations of 20,000 or less.

History: En. Sec. 5, Ch. 554, L. 1983; amd. Sec. 18, Ch. 554, L. 1983; amd. Sec. 2, Ch. 583, L. 1987; amd. Sec. 3, Ch. 708, L. 1989; amd. Sec. 4, Ch. 263, L. 1991; amd. Secs. 3, 13, Ch. 576, L. 1991.

Cross-References

Securities regulation — capital companies exempt from salesman and issuer registration provisions, 30-10-105.

90-8-202. Designation of qualified Montana capital companies — designation of qualified Montana small business investment capital company — tax credit. (1) The department shall designate as:

(a) qualified Montana capital companies those certified companies that have been privately capitalized at a minimum level of $200,000; or

(b) the qualified Montana small business investment capital company the certified Montana small business investment capital company once it has been privately capitalized at a minimum level of $500,000.

(2) A certified company seeking designation as a qualified Montana capital company or as the qualified Montana small business investment capital company must make written application to the department on forms provided by the department. The application must contain the information required by 90-8-204 and other information that the department requires.

(3) (a) The total amount of tax credits authorized for a single qualified capital company or the qualified Montana small business investment capital company may not exceed $1,500,000, except that the qualified Montana small business investment capital company must receive all remaining tax credits under this section available as of January 1, 1991. In the event the capitaliza-

tion of a qualified capital company is later increased, the company may apply for authorization of additional tax credits within the foregoing limitation.

(b) The total credits authorized for all companies may not exceed a total of $1 million prior to June 30, 1985. The total credits authorized for all companies between July 1, 1985, and June 30, 1987, may not exceed $1 million plus any portion of the $1 million available for authorization before June 30, 1985, that is allocated to qualified companies. The total credits authorized for all companies between July 1, 1987, and June 30, 1989, may not exceed $3 million plus any portion of the credits available for authorization before June 30, 1987, that is allocated to qualified companies. The total credits authorized for all companies between July 1, 1989, and June 30, 1991, may not exceed $3 million plus any portion of the credits available for authorization before June 30, 1989, that is allocated to qualified companies.

(4) (a) Before January 1, 1991, credits must be allocated to qualified companies in the order that completed applications for designation as qualified capital companies are received by the department, and the department shall certify to each company its appropriate allocation.

(b) All tax credits allowed under subsection (3) that are not allocated as of January 1, 1991, must be allocated to the qualified Montana small business investment capital company, and the department shall certify the allocation to the company.

(c) If the legislature provides additional tax credits under this chapter after June 30, 1991, or if tax credits become available by reversion to the department by a capital company or by the qualified Montana small business investment capital company, those additional or reverted tax credits must be allocated by the department to qualified capital companies or to the qualified Montana small business investment capital company in accordance with this chapter and the rules of the department.

(5) Investors in a qualified Montana capital company or in the qualified Montana small business investment capital company are entitled to the tax credits provided for in subsection (6). Funds invested in a certified company prior to designation as a qualified Montana capital company or as the qualified Montana small business investment capital company may, at the discretion of the investor, be placed in an escrow account in a Montana financial institution pending designation of the company as a qualified Montana capital company or as the qualified Montana small business investment capital company.

(6) Subject to the provisions of subsections (3) and (9), an individual, small business corporation, partnership, trust, decedent's estate, or corporate taxpayer that makes a capital investment in a qualified Montana capital company or the qualified Montana small business investment capital company is entitled to a tax credit equal to 50% of the investment, up to a maximum credit for investments in all qualified Montana capital companies of $150,000 per taxpayer, except that, as applied to the qualified small business investment capital company, the maximum tax credit is $250,000 per taxpayer and the tax credit limitation relating to a capital investment in the qualified Montana small business investment capital company must be in addition to any other tax credit limitation in this section. The credit may be taken against the tax

lity imposed on the investor pursuant to Title 15, chapter 30, 31, or 35. credit for investments by a small business corporation defined in 1-201 or a partnership may be claimed by the small business corporation eholders or the partners.

7) The tax credit allowed under subsection (6) is to be credited against taxpayer's income tax liability or coal severance tax liability for the ble year in which the investment in a qualified Montana capital company e qualified Montana small business investment capital company is made. e amount of the tax credit exceeds the taxpayer's tax liability for the ble year, the amount of the credit which exceeds the tax liability may be ied back or carried forward in the following manner:

a) If the sum of the amount of credit for the current taxable year plus the unt of credit, if any, carried forward from a previous taxable year exceeds taxpayer's tax liability for the current taxable year, the excess must be ied back as a credit to the 3 preceding taxable years and, if the full credit ins unused, carried forward as a credit to the 15 succeeding taxable s.

b) The amount of unused credit must be used to offset the entire tax lity of each of the 18 taxable years, beginning with the earliest and nencing to the next succeeding year until the credit is exhausted.

8) The tax credit provided for in this section is available only to those ayers who invest in a qualified Montana capital company within 4 years ly 1, 1987, or in the qualified Montana small business investment capital pany within 4 years of July 1, 1991.

9) (a) An individual, small business corporation, partnership, or corte taxpayer who obtains the tax credit allowed under subsection (6) may btain credits in excess of the limits contained in subsection (6) by making stments as more than one entity.

b) A partner or shareholder in a small business corporation may not n more than $150,000, or not more than $250,000 in the case of the ified Montana small business investment capital company, in credits as dividual and as the partnership or small business corporation. A corte taxpayer that obtains the maximum credits allowed under this subsec(9)(b) may not obtain additional credits through investments by wholly d subsidiaries or affiliates. An individual, small business corporation, nership, or corporate taxpayer who obtains the tax credit allowed under ection (6) may not claim deduction under the provisions of Title 15, ter 30 or 31, for donation of stock in the qualified Montana small business stment capital company.

istory: En. Sec. 6, Ch. 654, L. 1983; amd. Sec. 18, Ch. 654, L. 1983; amd. Sec. 3, Ch. . 1987; amd. Sec. 1, Ch. 707, L. 1989; amd. Sec. 4, Ch. 708, L. 1989; amd. Sec. 5, Ch. . 1991; amd. Secs. 4, 13, Ch. 676, L. 1991; amd. Sec. 9, Ch. 807, L. 1991.

)-8-203. No recapture — unqualified investments — penalty. (1) e amount invested by a taxpayer in a qualified Montana capital company the qualified Montana small business investment capital company is not by the company for qualified investments as provided in 90-8-301, the yer is not subject to a recapture provision for any tax credit claimed by out the company is subject to the penalty provided for in 90-8-301(4).

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES

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September 6, 1996

To: Members of the Low-Income Energy Advisory Council

From: Jim Nolan

Subject: Summary of LIEAP Subsidy and funding requirements chart

Please find enclosed a copy of the above. It describes one possible funding scenario at different participation levels for LIEAP. It is also consistent with the Council's charge that the very lowest income households have all their heating costs covered and that , as income rises, a lower percentage of costs is met. It would spread the costs to fund this effort among all other utility customers.

This is offered as a document to start discussions and is not necessarily the only one the Council may wish to consider.

WHERE THE ALLOCATION FORMULA IS LINEAR WITH MAX REIMB % = 100 FOR INCOME = 0 % OF
POVERTY LEVEL, AND MIN REIMB % EQ 40 FOR INCOME = 125% OF POVERTY LEVEL

									REGULATED UTILITY COMPARISONS			REGULATED PLUS OTHER ENERGY COMPANY COMPARISONS	
OF IEAP LIENTS	AVERAGE ANNUAL LIEAP HEAT COST	TOTAL COST OF HEAT FOR LIEAP PARTICIPANTS	LIEAP REIMB % MIN%	MAX%	TOTAL COST OF LIEAP SUBSIDY	FEDERAL SHARE OF LIEAP SUBSIDY	NON-FED SHARE OF LIEAP SUB	AVG RES CUSTOMER ANNUAL ENERGY COST:NAT GAS+ELEC	AMT OF NON-FED SHARE INCURRED WITH REGULATED UTILITIES	SURCHARGE ASSESSMENT % ON GROSS REVENUES OF REGULATED UTILITIES REQUIRED TO RE-COVER REG UTILITY SHARE OF NON-FED LIEAP SUBSIDIES	AMOUNT SURCHARGE % WOULD ADD TO ANNUAL ENERGY COST FOR AVG REGULATED UTILITY RESIDENTIAL CUSTOMER IF SURCHARGE APPLIES TO ALL REGULATED UTILITY GROSS ELECTRIC AND NAT GAS REVENUES	SURCHARGE ASSESSMENT % ON GROSS REVENUES OF ALL ENERGY PROVIDERS REQUIRED TO RECOVER NON-FED SHARE OF LIEAP SUBSIDIES	AMT SURCHARGE % ADDS TO ENERGY COST FOR AVG RESIDENTIAL CUSTOMER IF SURCHARGE APPLIES TO ALL PROVIDER GROSS ENRGY REVENUES
		(See Tables A)							(See note 1)	(See note 2)	(See note 3)	(See note 4)	(See note 5)
20000.	$550.00	$10,995,600.00	40.	100.	$7,077,417.73	$4,323,042.00	2,754,375.73	$950.00	$2,029,974.91	0.298	$2.83	0.2864	$2.72
21000.	$550.00	$11,546,700.00	40.	100.	$7,431,996.13	$4,323,042.00	3,108,954.13	$950.00	$2,291,299.19	0.335	$3.19	0.3233	$3.07
22000	$550.00	$12,056,700.00	40.	100.	$7,786,240.13	$4,323,042.00	3,463,198.13	$950.00	$2,552,377.03	0.374	$3.56	0.3601	$3.42
23000.	$550.00	$12,645,600.00	40.	100.	$8,139,463.34	$4,323,042.00	3,816,421.34	$950.00	$2,812,702.53	0.413	$3.92	0.3969	$3.77
24000.	$550.00	$13,195,600.00	40.	100.	$8,493,311.35	$4,323,042.00	4,170,269.35	$950.00	$3,073,486.51	0.451	$4.28	0.4336	$4.12
25000.	$550.00	$13,746,150.00	40.	100.	$8,847,828.16	$4,323,042.00	4,524,786.16	$950.00	$3,334,767.40	0.489	$4.65	0.4705	$4.47
26000.	$550.00	$14,295,600.00	40.	100.	$9,201,508.97	$4,323,042.00	4,878,466.97	$950.00	$3,595,430.16	0.527	$5.01	0.5073	$4.82
27000.	$550.00	$14,846,700.00	40.	100.	$9,556,087.37	$4,323,042.00	5,233,045.37	$950.00	$3,856,754.44	0.566	$5.37	0.5442	$5.17
28000.	$550.00	$15,396,150.00	40.	100.	$9,909,900.18	$4,323,042.00	5,586,858.18	$950.00	$4,117,514.46	0.604	$5.74	0.581	$5.52
29000.	$550.00	$15,945,600.00	40.	100.	10,263,607.39	$4,323,042.00	5,940,565.39	$950.00	$4,378,196.69	0.642	$6.10	0.6177	$5.87
30000.	$550.00	$16,495,600.00	40.	100.	10,617,297.00	$4,323,042.00	6,294,255.00	$950.00	$4,638,865.94	0.68	$6.46	0.6545	$6.22

ote 1. Approximately 73.7% of LIEAP participant costs are incurred with regulated utilities.

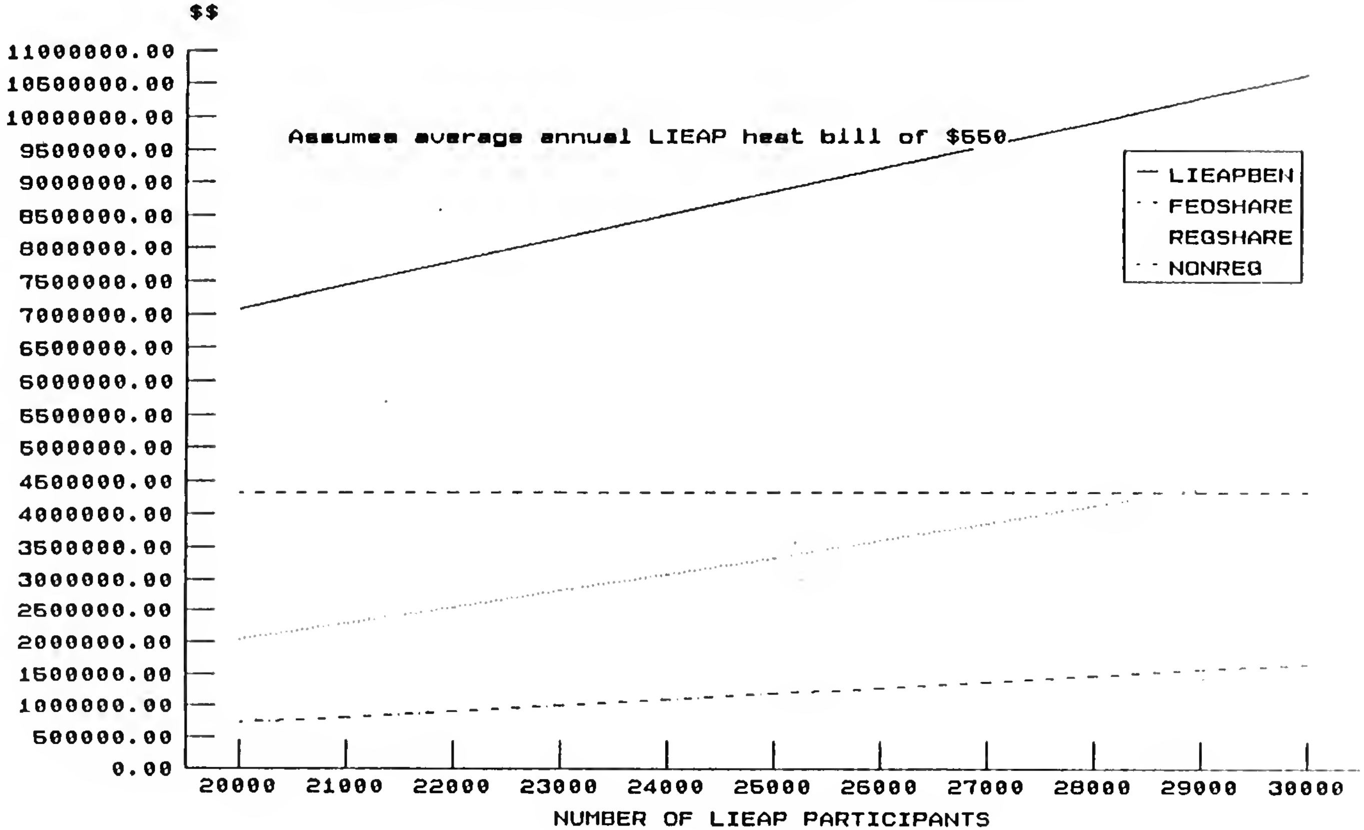
ote 2. For this model, it is assumed that the regulated utilities would collect a surcharge on gross energy billings sufficient to pay for the cost of the LIEAP subsidies. The surcharge is calculated as the ratio of the regulated utility share of non-fed LIEAP payments to total gross regulated utility revenues from electricity and natural gas sales. Thus, LIEAP subsidy costs are allocated over the entire regulated utility customer energy (nat gas + electricity) usage base.

ote 3 This column is included for example purposes only. It represents the amount of increase in annual energy costs the LIEAP subsidy surcharge would add to the bill of a customer who has an annual energy (nat gas + electric) bill of $950 (which is about average for residential customers).

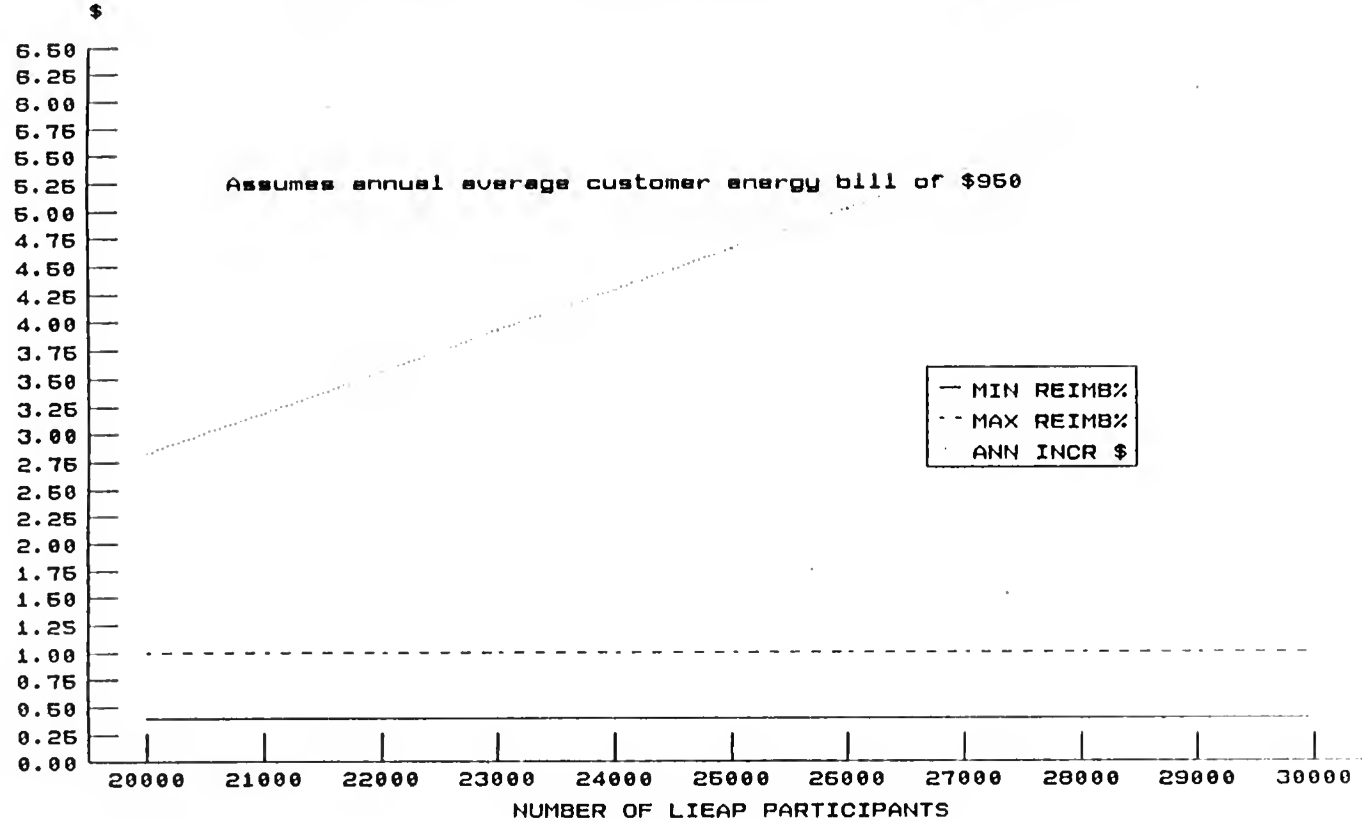
ote 4 Regulated and non-regulated energy company revenues and customers are included in these comparisons (i.e., reg utilities, electric co-ops, LPG distributors, fuel oil distributors), accounting for about 95% of LIEAP customers and related heating costs.

ote 5 Same comment as note 4.

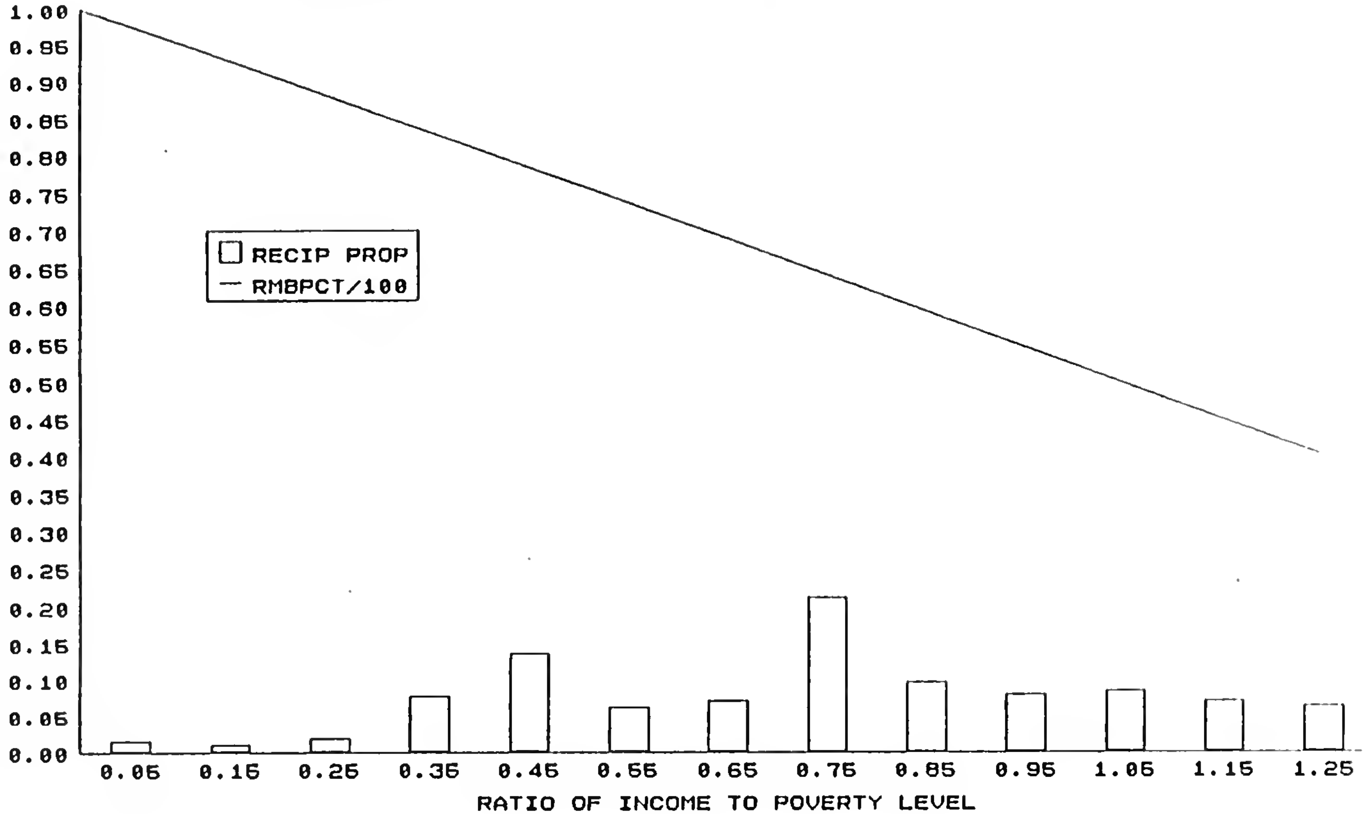
COST AND FUNDING ALLOCATION OF LIEAP: FED SHARE, REG UTILITY SHARE AND NON-REG SHARE--REIMB% FROM 100% DOWN TO 40%



AVG INCREASE IN ANNUAL ENERGY BILL PAID TO REG-UTILITIES FOR
LIEAP REIMB % RANGING FROM 100% DOWN TO 40% (@ 125% POVERTY)



PROPORTION OF LIEAP RECIPS IN SELECTED INCOME/POV LEVEL CATEGORIES AND GRAPH OF REIMBPCT/100 FOR INCOME/POV LEVEL CATS



EXAMPLE

MONTANA POWER COMPANY
LIEAP DISCOUNT SCENARIOS

			AVE BENEFIT
ICIL: LIEAP BENEFITS $8.0 million / 22,000 HH		$8,000,000	$364
ess FEDERAL LIEAP @ $4.0 million		$4,000,000	
' BALANCE FUNDED by MONTANA		$4,000,000	
MPC LIEAP Customer SHARE: MT	43.5%	$1,740,000	
MPC LIEAP Benefit SHARE : MT	47.9%	$1,916,000	
RETAIL GROSS OPERATING REVENUES (ELECTRIC & GAS)		$480,096,866	

% LIEAP RATE DISCOUNT

	EXISTING 10% 7/1/96	15%	20%	25%	30%	35%	40%
	RESULTING LIEAP BENEFIT $						
ngElec	$414,218	$621,327	$828,436	$1,035,545	$1,242,654	$1,449,763	$1,656,872
Elec	136,791	205,186	273,581	341,977	410,372	478,767	547,163
ectric	551,009	826,513	1,102,017	1,377,521	1,653,026	1,928,530	2,204,034
as	403,618	605,427	807,236	1,009,045	1,210,854	1,412,663	1,614,472
L Gas	$954,626	$1,431,940	$1,909,253	$2,386,566	$2,863,879	$3,341,193	$3,818,506
/GOR	0.20%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%

RATE IMPACT on RESIDENTIAL RATEPAYER to FUND LIEAP DISCOUNT

Annual Residential Bill

)UNT		$650	$750	$850	$950	$1,050	$1,150
		Increased ANNUAL Residential Bill to Fund LIEAP Discount					
10%	************** EXISTING **************	$1.29	$1.49	$1.69	$1.89	$2.09	$2.29
15%		1.94	2.24	2.54	2.83	3.13	3.43
20%		2.58	2.98	3.38	3.78	4.18	4.57
25%		3.23	3.73	4.23	4.72	5.22	5.72
30%		3.88	4.47	5.07	5.67	6.26	6.86
35%		4.52	5.22	5.92	6.61	7.31	8.00
40%		5.17	5.97	6.76	7.56	8.35	9.15

COMBINED EFFECT of Decreased LIEAP BENEFITS and DISCOUNT

gfg20dis.wk

NATURAL GAS

	Normalized Annual use LIEAP class MCF	Average Residential Rate $/mcf	Annual Cost $	Residential Cust Charge $	Total Resid Bill $	LIEAP Discount 3/97 $	Average LIEAP Benefit GFGCo $	TOTAL Benefit $	Remaining LIEAP Customer Bill $	% Increase Compared to 1994-95	Remaining LIEAP Bill % of Total Bill	"COST" of LIEAP DISCOUNT $		
1994-95	103 7	3 01	312.16	12*4.00 48.00	360.16	0.00	261	261	99.19		27 5%	0		
1995-96	103 7	3.01	312 16	48 00	360.16	0 00	176	176	184.16	85.67%	51.1%	0		
GFG Proposed Rates : 6 63% Increase 3/1/97	103 7	3 21	332.86	48 00	380 86	0 00	176	176	204 86	106.53%	53 8%	0	Given GFG PROPOSED REVENUES $15,462,892	
LIEAP Discount Scenarios												800 Ave LIEAP	LIEAP Discnt RATE IMPACT % Increase	IMPACT on AVE Resident ANNUAL BILL $397 Proposed
10%	103 7	3 21	332.86	48.00	380.86	38 09	176	214	166 77	68.14%	43 8%	$30,469	0.20%	$0.78
20%	103 7	3 21	332.86	48.00	380.86	76 17	176	252	128.69	29.74%	33.8%	$60,937	0 39%	$1 56
30%	103 7	3 21	332.86	48.00	380.86	114.26	176	290	90.60	-8 66%	23.8%	$91,406	0.59%	$2.35
40%	103.7	3 21	332.86	48 00	380.86	152.34	176	328	52.51	-47.06%	13.8%	$121,874	0.79%	$3 13

Minutes

October 23, 1996

Meeting Attachments

Characteristics of Funding Alternatives
Discussion of Funding Alternatives
Incentives to Increase Charitable Foundation Contributions
Remarks of Montana Electric Cooperative Association
Summary of Decisions and Ideas

Minutes of the Low Income Energy Advisory Council
October 23, 1996
10:00 a.m. - 4:00 p.m.
Public Health & Human Services Building
Room 306, Conference Room
Helena, Montana

This meeting was called to order at 10:00 a.m. by Michael Billings, Administrator of Operations and Technology of the Department of Public Health and Human Services. Present were: Pat Corcoran representing Montana Power company (standing in for Jack Haffey); Nancy McCaffree, representing the Montana Public Service Commission; Matt Dale, representing the General Public; Michael Wall, representing Private Sector Non-Energy Enterprise; Representative Royal Johnson, representing the Montana State Legislature; Tamie Aberle, (standing in for Wayne Fox), representing Montana-Dakota Utilities; Sheila Rice, representing Great Falls Gas Company; Alan Nicholson, representing Non-Energy Related Enterprises; Gary Wiens, representing an Energy Related Enterprise; Carl Visser, representing Non-Energy Related Enterprises; Jim Nolan and Kane Quenemonen, DPHHS Intergovernmental Human Services Bureau and Tom Schneider.

Not present: Lee Harn, representing the general public; and Barbara Sullivan, representing LIEAP recipients.

Other guests attending: Glen Phelps, representing an Energy Related Enterprise; Gay Lynn Lyeder, Montana-Dakota Utilities; Gregg Groepper, Energy Share of Montana and Rachel Haberman, Energy Share of Montana.

Opening remarks were made by Mr. Billings that Jack Haffey had been contacted by members of the committee inquiring as to the possibility that the council might retain a facilitator for the committee meetings to see if more progress could be made. Mr. Billings agreed to bring it up at this meeting that if the council is interested in a facilitator based on the perception of progress or lack of progress it is something that we should consider. It was suggested that at the end of the meeting it can be decided upon.

Nancy McCaffree handed out to each council member a copy of a memorandum from Walt Foster, concerned citizen from Bridger, MT. He has some concerns and ideas on weatherization. Nancy would like Mr. Foster to attend a meeting and give a presentation of his ideas.

Next on the agenda was to establish the funding levels for each of the three advisory council goals. Tom Schneider suggested to review the good work that the council has already done in terms of establishing goals and establishing objectives. Then based on those goals and based on those objectives move then to funding levels to support the three goals that the council has adopted and then moving to what are the alternatives or combinations of alternatives that the council wants to recommend to the Governor in terms of a statewide or a state responsibility or solution here so the goals that he distributed include the changes that the council adopted at the last meeting, there were some phrase in changes in terms of the three primary goals adopted by the council. The council had

said they want a solid base program in terms of ongoing LIEAP program. What the council has been talking about for the last several meetings is a 22,000 base level number of participants for the first leg of the chair. First goal the council thus far has given in numbers and calculations around approximately an $8 million total funding level. This was from the late 80's or early 90's level of total funding, from that would be deducted the federal LIEAP support. Last year was at about the $4.2 million level. The work that Mike Billings, Tom Schneider and Kane Quenemonen have done in terms of distributing the calculations have been targeted to that concept approximately $8 million, approximately $4 million funded by the feds leaving a balance for LIEAP benefit funding for the State of Montana of about $4 million and all of their calculations and so forth have been designed to support that level. The council has not decided at this point to establish that as a firm funding level, those have been the calculations. The second component of that primary first goal is weatherization. Council has not talked about that very much yet but the weatherization funding sources and uses were distributed at a couple of meetings now and were discussed just briefly at the September meeting. That is, in the last several years the weatherization funding levels from the federal government have been in the $2 ½ million range. Those plummeted in 1996 to about the $1.2 million level. If the council were to take the position similar to what they've done so far on the benefits and at least try and get a stabilized weatherization commitment of around $2 ½ million they anticipate that the feds will kick in about a half of that as they did last year and that would leave about $1.2 million for the state's ongoing role in weatherization of that core 22,000 LIEAP participant level. The real decisions on funding levels have not been made. The council has not adopted a motion at this point to establish those levels. The next goal of the council is to develop long term funding scenario that allows greater participation. Mr. Schneider reminded the council from previous meetings there was tremendous concern about the levels of participation in the existing LIEAP program. Council compared it to other states, they looked at the 62,000 plus 125% or less of poverty - those kinds of discussions in the June and August meetings and the decision of the council and the goal of the council was to increase that participation level. Mr. Schneider asked the council what they want to do with that? Outreach marketing education and then presumably establish some kind of base funding if they get an additional 1000 or 500 or 2000 additional participation as a result of their outreach efforts - are there going to be funds available to provide the LIEAP benefits? What are the marketing and outreach costs and then what level does the council want to plug in in terms of we need dollars there to serve the people that we go out and get to participate. The third goal that the council established was the development of a non LIEAP approach. That is the energy share, fuel fund role that serves both LIEAP and non LIEAP customers in terms of the real needs of this group of low income customers. And that was the third leg of the stool. How does the council want to do that and at what level in terms of tax credits or establishment of a trust fund, voluntary contributions all of those mechanisms that the council talked about briefly. Mr. Schneider thought the council had accomplished a lot in terms of saying this is what we want to do with these to our goal. Then the objectives are we want affordable energy services for heating of low income houses. We want a sustainable long term program to fund it. We want a level playing field among all fuels and among the different providers within the fuel groups. Electricity, natural gas, propane, fuel oil. We want a level plan among those different sources as well as providers within the source. Distribution equity, that is targeted in a way that really helps families based on poverty and their energy use. Efficient administration encourage private market strategies

consistent with the goals. Private contributions and leveraging to supplement the state federal role and flexibility and innovation. These are the terms of nailing down the funding levels that the council wants to send to the Governor for the three goals and then what are the alternatives or combinations that we want to satisfy each one of those goals.

Pat Corcoran asked over what time frame. Sheila Rice suggested they ought to look at a short term and a long term.

Jim Nolan made the comment at the last meeting there was a lot of discussion on the regional review that he gave to each of the members a copy of the draft regional review that the Northwest Power Planning Council and others have been engaged in. John Hines who is a staff member most responsible for that was asked to come and do a quick review. There is a regional electric energy review going on (by regional he means encompassing the States of Oregon, Washington, Idaho and Montana). The four Governors appointed a task force to come up with recommendations by December of this year, the recommendations are out in draft form now and they encompass a wide aspect. Mr. Hines roughly explained the way its proposed to be as set that there is going to be a 3% charge on all electric kilowatt hours sales in the region and that is estimated to generate around $210 million per year. Out of that $210 million there will be approximately $30 million that would be directed to low income assistance programs and that Montana's share <u>may</u> be 500,000. Mr. Hines distributed a draft report produced by the Steering Committee of the Comprehensive Review of the Northwest Energy System "Toward a Competitive Electric Power Industry for the 21st Century".

Gary Wiens from Montana Electric Cooperatives' Association submitted a handout on comments concerning various proposals to raise funds for energy/weatherization programs for low income Montanans.

Sheila Rice suggested that there are at least three options for distributing the 12.4 million. One of those is to do it on a gross revenue basis, Tom suggested we do it on a current LIEAP benefit basis. If propane gets a 11% of the current LIEAP benefit propane carries 11% of the shortfall. The third way is to do it on an equivalent basis.

Break for lunch.

Mike Billings continued the meeting with approving the minutes from the last meeting. Minutes were approved.

Motion: Pat Corcoran made a motion that council establish a concept. Establish a target of dollars that would include both LIEAP, weatherization and energy sharing to produce a subtotal of overall dollars that council thinks are appropriate that would establish appropriate level of funding relative to those items. From that we would subtract what we believe are the federal dollars that would come into the system, come up with a new amount of dollars. Net amount of targeted dollars from these programs with which we would pursue a gross operating revenue of detail. Point of sale tax that would be shared in an equitable fashion by all fuel providers.

Action: Motion passed.

Motion: Sheila Rice made a motion that the council agree that the group agree that the unfunded need for LIEAP, weatherization and energy share was $6 million per year.

Action: Motion passed.

Pat Corcoran asked all to go home to their constituencies and try to sell the idea of the mandatory imposition of a GOR tax that would generate $6 million per year.

Sheila Rice suggested low income energy initiatives (started voluntarily at the local level) be allowed as credits against this tax.

Motion: Pat Corcoran made a motion that the designated non-federal low income and energy share dollars would be allocated for recovery to all energy providers on an equitable basis. They would be recovered through an added charge which may be offset by local approved energy assistance programs. Individual LIEAP participant's state LIEAP benefits would be adjusted for local approved energy assistance program offsets on a dollar for dollar basis.

Action: After discussion of the accounting implications it posed and inequities it might produce among low income motion was passed.

Mike Billings made a suggestion that it might be a waste of time if the council were going to ask for this to be funded out of the general fund - if we are going to get money from existing taxes that now go into the general fund. If we were to do that - again there is no problem administering this program, it's when we get into the voluntary and the assessments and the credits and so forth that this becomes complicated. Mike suggested that everybody give some thought - especially those people who are providers of energy and how this would work so we could discuss this a bit at the next meeting. Because if council goes forward with this recommendation this language is complicated.

Mr. Nicholson asked that the Energy Share Foundation trust fund concept be first on the agenda of the next meeting. All agreed.

It was decided to hold the next meeting on Friday, November 15, 1996 at 10:00 a.m., in Helena, Montana; specific location to be determined.

Council asked that we expedite getting the minutes out because they would need them to approach their co-workers. MDU asked that the minutes be faxed to them.

Sheila Rice asked that stake holders come to the next meeting prepared to discuss the equitable distribution of responsibility for low income programs, i.e.: a) gross revenue charge to be levied on the basis of retail sales per dollar; b) as a ratio of LIEAP benefits received in the 1995-1996 heating

season; or c) on a uniform unit basis, i.e. cents per million btu, such that all per unit charges are adjusted for btu content. For example, if the charge was 10 cents per deca therm of natural gas of natural gas, it would be 1 cent per gallon of propane.

Meeting was adjourned at 4:30 p.m.

MEMORANDUM

To: Governor's Low Income Advisory Council

From: Tom Schneider

Date: October 14, 1996

Subject: Pros and Cons of Alternative LIEAP Funding Mechanisms

At the suggestion of Council member Mr. Wayne Fox of MDU, the Advisory Council requested that I prepare "pros and cons" for various funding mechanisms to supplement the Characteristics of Funding Alternatives distributed at the September 11, 1996 meeting.

I conclude that whether a characteristic is a pro or con depends largely upon a person's (or organization's) core philosophy. The pros and cons must also be evaluated in relative terms i.e. vis a vis the status quo and other alternatives. The pros and cons are represented by plus and minus signs beside the characteristics.

Additionally, I trust that the attached Discussion of Funding Alternatives is also responsive to the Council's request and will be useful in making its judgments (reasonable, logical, pragmatic, political) on recommendations to achieve the Advisory Council's three goals.

CHARACTERISTICS of FUNDING ALTERNATIVES

I. Tax on Gross Operating Revenues (GOR) or retail GOR of Electric & Natural Gas Utilities (PSC Regulated)

+ Existing Tax Basis for PSC & Consumer Counsel taxes.
  MDOR administers and provides estimates for budget purposes
  MDOR reporting mechanism exists
  Administrative costs minimized

+/- Relates LIEAP benefits and costs to the energy services

+ Distribution / transmission is generally expected to remain regulated monopoly / utility

- Does not currently cover cooperatives or delivered fuel vendors

- Prospective deregulation or divestiture of supply (electric and gas) may not be captured in reporting. May need to define GOR to indicate revenue from supply, transportation, transmission, distribution and ancillary services to assure level field for all providers in unbundled retail competition and open access.

II. Tax on retail (point of sale) electric & natural gas sales to Montana consumers i.e., sales for ultimate use in MT

+/- Similar to GOR tax in relating LIEAP costs and benefits to energy services

+ Distribution / transmission is expected to remain regulated monopoly / utility.

+ FERC recognizes that competitive retail sales over interstate transmission involve a local distribution component (e.g., subtransmission or @ meter) where PSC may establish a competitive transition charge (CTC) to cover allowable stranded costs and/or uniform system benefit charge to cover low income, conservation, environmental, renewable or other values.

- Need to have comparable tax on cooperatives (III) and delivered fuel vendors.

III. Retail Sales Tax or GOR tax on Electric Cooperative equivalent to I & II for PSC Regulated Utilities

- \+ Generally, same characteristics as I & II
- \+ Would extend tax to Coops
- \+ Some added MDOR admin & reporting required

IV. Electrical Energy Production Tax

- \+ Existing tax produced FY95 revenues of about $3.9 million annually. Proceeds 100% to General Fund
- \+ MDOR Administration and reporting in place
- \+ Could add to existing tax or allocate all or a portion to LIEAP Wx &/or Benefits
- +/- Relates LIEAP benefits and costs to electricity production (coal; hydro; etc.)
- +/- MT is a net producer of electricity. Portion of tax would be paid outside MT
- \- Does not cover other energy sources. See V.
- \- Less direct than specific taxes on sales of heating fuels in I, II, III, and VI.

V. Coal, Oil, Natural Gas Severance Taxes

- \+ Existing severance taxes produced FY95 General Fund revenues of: Coal $6.2 million; Oil $9.9 million and Gas $0.8 million
- \+ MDOR Administration and reporting in place
- \+ Could add to existing tax or allocate a portion to LIEAP Wx &/or Benefits

- +/- Relates LIEAP benefits and costs to energy production (coal; hydro; propane, fuel oil, etc.)
- +/- Portion to tax would be paid outside MT
- \- Does not cover other produced energy sources. See IV.
- \- Less direct than specific taxes on sales of heating fuels in I, II, III and VI.

VI. Tax on propane and fuel oil sales or voluntary discount at equivalent level. See Coop Tax in III.

- \- New tax would need to be enacted. MDOR administrative costs necessary
- \+ Necessary for level playing field among different fuels
- \+ LPG and fuel oil vendors have LIEAP customers and receive LIEAP benefits.
- +/- Relates LIEAP benefits and costs to the energy services
- +/- Possible that vendors could volunteer to establish a LIEAP discount to produce equivalent benefits. Difficult to monitor and assume equal application.
- \- Delivered fuel vendors are not represented on Council. Need to include them in Legislative strategy.

VII. PSC Regulated Utility LIEAP Rate Discount and Electric Cooperative LIEAP Rate Discount

- +/- Could be instituted on expedited basis by PSC w/o legislation if utilities applied and supported
- +/- Could be instituted by Cooperative Boards
- +/- Could be allowed or directed by Legislation e.g., 20% or Council funding equivalent. REMINDER: ratepayers pay utility taxes, therefore, effect comparable to energy tax approaches

+ Represents a direct universal or uniform system charge funding level, which could be levied via nonbypassable tariff @ point of sale.

+ Identifies and maintains energy use profile for LIEAP sub-class

+ Administratively simple and approach "experienced". Subject to ongoing PSC review. Subject to ongoing Cooperative Board Review

+ Responds immediately to rate changes (+ or -)

+ Applies to all household use. Benefit level could be limited to heating equivalent, i.e., $4 million * utility and cooperative benefit percentage

+/- All ratepayers pay LIEAP discount cost in proportion to overall cost responsibility established by PSC and Cooperative Boards

+/- Taxpayers and ratepayers may differ in assigned responsibility compared to various tax approaches

+/- Poverty scale could be incorporated into LIEAP discount and eligibility could be expanded (Medicaid, AFDC, Food Stamps, SSI, etc.)

- Does not capture delivered fuel. See VI.

VIII.Non-LIEAP Approaches

+ Nonprofit fuel fund (Energy Share) exists and has considerable experience

+/- Targeted contributions from State i.e.:
Tax credit mechanism;
Endowment / trust fund $;
State matching funds;
Roundup or other voluntary tax or utility checkout approaches

+ Serves the third goal of Advisory Council in reaching non-LIEAP low income needs

- \+ Offers the potential for flexibility and innovation
- \+ Important dimension for affirmative outreach to address equity concerns
- \- Limitations in private funds have historically limited the numbers of low income households served

DISCUSSION OF FUNDING ALTERNATIVES

I. MONTANA TAX ALTERNATIVES

The basic underlying philosophy for using a statewide tax approach to fund LIEAP and eligible non-participant benefits and weatherization is (1) that the state of Montana has an important role in helping to ensure affordable home heating services for low income households and (2) that the Montana Legislature is the appropriate body to establish the policy and funding levels to fulfill such role.

There are two broad philosophical alternatives for tax based LIEAP funding: (1) Energy related taxes, which align energy benefits with the energy costs and services; and (2) General governmental responsibility taxes which come from a broad array of different taxes that flow into the general fund to support government services.

Energy-related taxes broadly include (1) gross operating revenue and/or sales taxes and (2) energy production or severance taxes. For example, the gross operating revenue (GOR) concept is currently applied to PSC regulated electric and natural gas utilities to fund the governmental operations of the PSC and Montana Consumer Council. The GOR approach could be extended to the electric cooperatives in a similar manner. Similarly, a targeted sales tax on sales revenues for the supply, transmission and distribution of electricity and natural gas to ultimate consumers could be employed. The ratepayers of utilities pay the cost of the tax. For the delivered fuel vendors (coal, propane, fuel oil, wood), a percentage or $/unit sales tax could be assessed. The tax would be included in the price of the fuel. Generally, an even handed tax on fuel should not distort the markets.

Several existing energy production taxes or severance taxes currently exist. The energy production tax or severance tax establishes the tax at the point of production for electricity (Electrical Energy Production Tax), coal (Coal Severance Tax), and oil and gas (Oil and Natural Gas Severance Taxes). The production or severance tax approach "generally relates" to the various home heating fuels used by LIEAP customers. However, a portion of the sales of these products are to out of state customers. Consequently, a portion of the tax burden is exported. The existing energy production and severance taxes are allocated to a variety of state and local governmental programs. A portion of the production and severance taxes that are currently allocated to the general fund could be allocated to the new LIEAP program. The energy production and severance taxes do not relate as directly to the LIEAP energy services and benefits and costs as targeted GOR and sales taxes discussed above.

II. RATE DISCOUNTS for PSC REGULATED UTILITIES and for COOPERATIVES.

The characteristics of the rate discount approach are provided on the attached outline. For regulated utilities, the policy decision is made by the elected Montana Public Service Commission, based upon the record evidence in individual rate cases. The ratepayers of the individual utilities pay the "cost" of LIEAP discount and weatherization programs. To date the 10% LIEAP discount for MPC electrical and natural gas service is the only approved discount for PSC regulated energy utilities. MPC, Great Fall Gas and PP&L have differing LIEAP conservation programs. MDU has neither a LIEAP discount nor a LIEAP weatherization program. Consequently, unless there is a concentrated effort to adopt uniform or comparable LIEAP discounts and weatherization programs on all the utility systems, the disparity will continue. That disparity is unfair to customers statewide, and the "level playing field" principle is violated. To ensure statewide policy direction and uniform equity, the Montana Legislature could direct the PSC to establish a specified percentage LIEAP discount for all regulated utilities equivalent to the Council's recommended funding level.

The electric cooperatives are governed be elected boards of directors. The cooperative boards could establish LIEAP discounts and conservation programs. The cost of such LIEAP programs would be included in the rates of all cooperative rate payers. At least two electric cooperatives and Mission Valley Power Authority in Western Montana have LIEAP rate discounts. Most electric cooperatives do not have either a LIEAP rate discount or weatherization programs.

III. PRIVATE CONTRIBUTIONS

Voluntary contributions represent a conscious choice by individuals and businesses to support and provide help for the energy needs of low income households. Energy Share is a long established non-profit fuel fund, which serves the emergency energy needs of both LIEAP and non-LIEAP households statewide. The funding has historically been heavily dependent upon utility corporate contributions and supplemented by individual contributions through statewide marketing efforts. To date, the level of total funding and, consequently, the number of households that can be served has been limited. From a statewide perspective, Energy Share plays a crucial supplementary role with a vital mission vis a vis the Montana LIEAP program.

The opportunity exists for the partnership between the State of Montana and Energy Share to dramatically increase the level of funding. The proposals for LIEAP energy tax credits, stock endowment/trust and state matching funds could expand the role of Energy Share in serving unmet needs.

NICHOLSON

ALAN D. NICHOLSON

October 17, 1996

Jim Nolan, Chief
Intergovernmental Human Services Bureau
Department of Health and Human Services
1400 Carter Drive
Helena, Montana 59601

Dear Jim,

At the last meeting of the Governor's Low Income Energy Advisory Committee, I volunteered to draft some options for creating incentives for regulated and non-regulated utilities to establish a charitable foundation.

Attached you will find a two page option sheet along with a spreadsheet analyzing the tax impact of such a plan. The tax impact has been reviewed by the Montana Department of Revenue and accurately reflects the tax impact for a regulated utility. Electric cooperatives do not pay a corporation license tax in Montana, so any tax credit established for them would have to apply towards their property tax liability.

I would ask that you include this information in the packets you're planning to mail to the Council members. If you have any questions about the material, please give me a call. I've asked Gregg Groepper of Energy Share to attend the meeting on the 23rd since he helped with the tax impact of the proposal.

Sincerely,

Alan D. Nicholson

Attachments

Box Four Hundred Seventy-Two, Helena, Montana 59624-0472 • Telephone (406) 443-2160 • Fax 443-2161

Energy Share Foundation Fund: capped at $10,000,000.

Proposal: **Incentives for regulated energy companies to create a stock/capital fund**

1. 50 % of the donation is eligible for a tax credit

2. Remaining 50% of the donation would be created through one of the following mechanisms with a minimum of paperwork on the part of the company before the PSC:
   a. Above the line one time temporary expense and considered a single issue rate increase filing, with guidance from PSC on how to handle that expense without the necessity of a filing.
      a1. Rate increase against distribution
      a2. Rate increase against supply
   b. Included as a temporary increase to the uniform systems benefit charge.
   c. Left to the PSC discretion and the company to work out the best temporary method to recover the remaining 50% cost across all the rate payers.
   d. Have this 50 % be handled as a tax credit as well.

3. The company would still get the charitable contribution deduction below the line on the 50% contribution, or the total amount if option 2d above is recommended.

4. The foundation would be managed by the State Board of Investments, Montana Community Foundation or similar qualified independent body, with a portion of the annual earnings remitted to the Energy Share Board of Directors for low income and emergency energy assistance. Earnings in excess of 5% annually would be required to be reinvested in the fund.

5. Oversight of the annual expenditures would be through the Energy Share Board with annual reports to the foundation manager and audits.

6. Fund is capped at $10,000,000 for tax credit purposes .

Non-regulated utility or cooperative

1. 50 % of the donation is eligible for a tax rebate against the property tax paid by the cooperative for the 101 statewide mills.

2. The company would still get the charitable contribution deduction on the 50% contribution, or the total amount if it is determined that a 100% tax credit is the easiest to administer.

4. The foundation would be managed by the State Board of Investments, Montana Community Foundation or similar qualified independent body, with a portion of the annual earnings remitted to the Energy Share Board of Directors for low income and emergency energy assistance. Earnings in excess of 5% annually would be required to be reinvested in the fund.

5. Oversight of the annual expenditures would be through the Energy Share Board with annual reports to the foundation manager and audits.

6. Fund is capped at $10,000,000 for tax credit purposes.

In general this proposal would temporarily change Montana tax law and give temporary authority to the PSC (depending on which 50% recovery option is selected. The temporary statute changes would have a finite life of no more than 5 years or until the foundation was fully funded at $10,000,000. If 100% of the fund is handled as a tax credit, the credit could be capped annually at $2,000,000 to minimize the impact on state revenues. The fund would have to reach $5,000,000 before the Board of Investments or Montana Community Foundation could begin remitting earnings to the Energy Share Board.

Permanent law change would be necessary to have the Board of Investments or Montana Community Foundation become financial managers for the Foundation and require annual distributions to the Energy Share Board along with reinvestment of earnings over 5% annually.

Tax Implications of Energy Share Foundation Legislation

Donation	New Law		New Law			
Example 1	Temporary	6.75%		Charitable	35.00%	Charitable
$100,000	PSC Rate	State Tax	State Credit	State Deduct.	Federal Tax	Federal Deduct.
	$50,000	($3,375)			($17,500)	
($50,000)			$50,000	$3,375		$17,500
Example 2						
$200,000						
	$100,000	($6,750)			($35,000)	
($100,000)			$100,000	$8,750		$35,000

<u>REMARKS BEFORE THE LOW-INCOME ENERGY ADVISORY COUNCIL</u>

October 23, 1996

By Gary Wiens, Interim General Manager,
Montana Electric Cooperatives' Association

THANK YOU FOR THE OPPORTUNITY TO SUBMIT THESE COMMENTS CONCERNING VARIOUS PROPOSALS TO RAISE FUNDS FOR ENERGY/WEATHERIZATION PROGRAMS FOR LOW-INCOME MONTANANS.

THE PEOPLE OF THE RURAL ELECTRIC COOPERATIVES COMMEND THIS COUNCIL FOR ITS CONCERTED EFFORT TO ARRIVE AT A JUST AND EQUITABLE RECOMMENDED SOLUTION FOR MAINTAINING ADEQUATE ENERGY AND WEATHERIZATION ASSISTANCE IN THE FACE OF DECLINING FEDERAL FUNDS.

WE WHOLEHEARTEDLY SHARE YOUR CONCERN FOR THIS SITUATION. THE ENDEAVOR OF RESOLVING IT IS A NOBLE ONE BECAUSE IT PERSONIFIES THE "GOLDEN RULE" IN ACTION. FUNDAMENTALLY, THIS COUNCIL IS SET UPON THE COURSE OF HELPING FIND A WAY FOR NEIGHBOR TO HELP NEIGHBOR, A WAY FOR THOSE MORE FORTUNATE TO ASSIST THOSE LESS FORTUNATE.

WE APPLAUD THIS ACTION. WE APPLAUD IT BECAUSE IT ADHERES TO A PHILOSOPHY THAT FORMS THE CORE, FORMS THE FOUNDATION, OF THE EXISTENCE OF RURAL ELECTRIC COOPERATIVES.

AS MANY OF YOU KNOW, OUR COOPERATIVES WERE NEITHER ORGANIZED NOR EXIST TODAY FOR THE PURPOSE OF PROFIT. THEY OPERATE FOR ONE PURPOSE -- TO PROVIDE A SERVICE. YEARS AGO, RURAL NEIGHBORS RECOGNIZED A NEED -- THE NEED FOR AFFORDABLE AND RELIABLE ELECTRICITY -- AND JOINED TOGETHER TO MEET THAT NEED. THERE WERE NO HIDDEN AGENDAS IN THIS TASK. IT WAS, PURELY AND SIMPLY, THE TASK OF NEIGHBOR HELPING NEIGHBOR TO BRING LIGHT TO RURAL AMERICA, TO RURAL MONTANA.

THESE COOPERATIVES WERE SUCCESSFUL IN THIS OBJECTIVE. TODAY, RURAL MONTANANS -- RURAL "NEIGHBORS" -- ENJOY AFFORDABLE, HIGH-QUALITY ELECTRICITY SERVICE THAT HAS PLAYED A KEY ROLE IN LIFTING THE STANDARD OF LIVING FOR RURAL MONTANANS.

BUT OUR WORK IS NOT FINISHED. WE ARE STILL ABOUT THE BUSINESS OF HELPING EACH OTHER. ELECTRIC COOPERATIVES IN MONTANA HAVE NOT LOST SIGHT OF THIS SINGULAR PURPOSE. WE HAVE NOT FORGOTTEN THAT THE ENTIRE REASON WE EXIST IS TO SERVE EACH OTHER.

THIS PURPOSE EXTENDS TO THE LESS FORTUNATE OF OUR MEMBER/CONSUMERS, THOSE FACING FINANCIAL DIFFICULTIES. ALTHOUGH FEW OF OUR ELECTRIC COOPERATIVES HAVE IN PLACE FORMAL, PRECISE, METHODICAL, PREARRANGED FORMULAS FOR LOW-INCOME ENERGY ASSISTANCE, THIS IS NOT INDICATIVE OF THE EXTENT TO WHICH OUR LOW-INCOME MEMBER/CONSUMERS RECEIVE CARE AND ASSISTANCE.

BECAUSE WE ARE MEMBER-OWNED AND OPERATED, AS WELL AS HEADQUARTERED IN THE SMALL COMMUNITIES WE SERVE, WE HAVE NOT LOST OUR "NEIGHBORLY ENVIRONMENT". FOR THE MOST PART, OUR 26 ELECTRIC COOPERATIVES' BOARDS OF DIRECTORS REMAIN COGNIZANT OF THE NEEDS OF OUR MEMBERS. IF A MEMBER FACES FINANCIAL HARDSHIP, OTHER MEMBERS ARE USUALLY AWARE OF IT AND RESPOND WITH COMPASSION - AS ONE NEIGHBOR TO ANOTHER.

A RECENT SITUATION AT RAVALLI COUNTY ELECTRIC COOPERATIVE IN CORVALLIS, AS RELATED BY COOPERATIVE GENERAL MANAGER RIC BROWN, ILLUSTRATES THIS POINT:

> "In April 1996, we became aware of a family whose head of household had terminal cancer. He called us to make sure that upon his death, his wife would not have to worry about the power bill. He asked that we remove her name from the account so that she would not be responsible for the account. The same day, a friend of the family called to see what she could do to help them out. She wanted to pay their power bill. Their account was paid in full. She informed us that the wife had taken everything out of her dresser and transferred it to a cardboard box, to sell it. She sold her dresser to pay the power bill. The following week, we read in the local newspaper that this family had been robbed of many of their personal belongings and all the contents in their freezer. The employees of the Co-op got together and took donations of food and money. One of our employees delivered the items to the family. In June, this man died of cancer. At this time, we closed his account, transferred his deposit to his wife's new account and retired his capital credit account to her. The balance due on his account was written off."

AS YOU CAN SEE, MUCH OF OUR COOPERATIVES' ENERGY ASSISTANCE IS DONE IN THE FORM OF "WRITE-OFFS."

ANOTHER EXAMPLE OF OUR EFFORTS IS GLACIER ELECTRIC COOPERATIVE, WHICH SERVICES THE BLACKFEET RESERVATION. BILL CHAPMAN, MANAGER OF GLACIER ELECTRIC, ESTIMATES THAT IN 1996 ALONE, GLACIER ELECTRIC WILL HAVE NEARLY $44,000 IN WRITE-OFFS OF UNCOLLECTIBLE ACCOUNTS. A GOOD PORTION OF THOSE ACCOUNTS ARE FOR LOW-INCOME RATEPAYERS SIMPLY UNABLE TO PAY THEIR BILLS.

IN ADDITION, GLACIER ELECTRIC HAS PARTICIPATED SINCE THE 1980s IN THE BONNEVILLE POWER ADMINISTRATION'S WEATHERIZATION PROGRAM. THROUGH THAT PROGRAM, GLACIER ELECTRIC HAS PUT $500,000 INTO WEATHERIZATION IN GLACIER COUNTY. THE LARGEST SHARE OF THESE FUNDS WERE SPENT ON HOUSING WEATHERIZATION FOR LOW-INCOME PERSONS.

MOREOVER, MR. CHAPMAN STATES THAT GLACIER ELECTRIC REMAINS FLEXIBLE IN ITS PAYMENT SCHEDULES, CUSTOMIZING PAYMENT SCHEDULES TO FIT THE FINANCIAL CAPABILITY OF ITS MEMBERS.

COOPERATIVES ALSO SEEK TO PROVIDE ASSISTANCE IN WAYS NOT AVAILABLE TO INVESTOR-OWNED UTILITIES. FOR EXAMPLE, LAST DECEMBER VIGILANTE ELECTRIC COOPERATIVE, BASED IN DILLON, ISSUED A $200,000 REBATE TO ITS 3,790 MEMBER/CUSTOMERS. THIS REBATE WAS TIMED TO PROVIDE FINANCIAL RELIEF TO CUSTOMERS BEFORE THE HOLIDAY SEASON.

VIGILANTE ELECTRIC ALSO REGULARLY WRITES OFF POWER BILLS. IN 1993, WRITE-OFFS AT VIGILANTE ELECTRIC TOTALED $29,876. IN 1994, THEY TOTALED $11,733. IN 1995, WRITE-OFFS AMOUNTED TO $25,884. THE COOPERATIVE'S THREE-YEAR AVERAGE OF WRITE-OFFS FOR THIS PERIOD WAS $22,497. VIGILANTE ALSO CONTRIBUTES TO ENERGY SHARE, AT A TOTAL OF $1,000 IN 1996, WITH $500 DONATED IN 1995.

WHEN COMBINED WITH ITS AVERAGE WRITE-OFFS, VIGILANTE'S TOTAL ASSISTANCE CONTRIBUTION EQUALED NEARLY $6.00 PER CUSTOMER.

WE CANNOT OVEREMPHASIZE THE UNIQUENESS OF COOPERATIVES WHEN IT COMES TO LOW-INCOME ENERGY ASSISTANCE. NEEDS ARE DEALT WITH AS THEY ARISE. THEY ARE NOT IGNORED.

VIGILANTE ELECTRIC MANAGER DAVE ALBERI RELATES ONE SUCH SITUATION THAT CAME BEFORE HIS COOPERATIVE BOARD LAST YEAR:

"We had a single parent on a limited income who was slowly falling further behind in payments. He had a child that died suddenly. The Board agreed to write off all debt to that point in time. He is still on our system."

TONGUE RIVER ELECTRIC COOPERATIVE, HEADQUARTERED IN ASHLAND AND SERVING THE NORTHERN CHEYENNE RESERVATION, PROVIDES YET ANOTHER EXAMPLE OF THE NEIGHBORLY ATTITUDE OF COOPERATIVES. IN 1994, TONGUE RIVER CANCELED POWER BILLS TOTALING $24,472.

IN 1996, TONGUE RIVER ELECTRIC CANCELED ANOTHER $30,170, BRINGING THE TWO-YEAR AVERAGE TO $27,321. TONGUE RIVER'S 2,455 MEMBERS THUS EACH CONTRIBUTED AN AVERAGE OF $11 PER YEAR TO HELPING EACH OTHER KEEP THEIR HOMES HEATED AND THE LIGHTS ON.

MANY OF OUR EASTERN MONTANA ELECTRIC COOPERATIVES ALSO PARTICIPATE IN A PROGRAM KNOWN AS ACTION FOR EASTERN MONTANA FOR LOW-INCOME FAMILIES.

McCONE ELECTRIC HAS CONTRIBUTED A TOTAL $20,510 TO THIS PROGRAM OVER THE PAST FIVE YEARS, WITH ITS AVERAGE YEARLY CONTRIBUTION TO THIS PROGRAM STANDING AT $4,102.

IN ADDITION, McCONE ELECTRIC WROTE OFF $27,326 IN POWER BILLS OVER THE PAST FIVE YEARS, FOR AN AVERAGE YEARLY WRITE-OFF OF $5,465.

WHEN COMBINED, McCONE ELECTRIC'S TOTAL AVERAGE ANNUAL ENERGY ASSISTANCE WAS $9,565. THAT'S AN AVERAGE ANNUAL CONTRIBUTION OF NEARLY $4.00 BY EACH OF McCONE'S 2,430 MEMBER/CUSTOMERS.

AS I STATED PREVIOUSLY, OUR RURAL ELECTRIC COOPERATIVES WORK TO RESPOND PROMPTLY AS THE NEEDS ARISE AMONG MEMBERS. AND, IN ADDITION TO LIEAP, ENERGY SHARE, ACTION FOR EASTERN MONTANA AND BILL WRITE-OFFS, OUR COOPERAT~~ES~~IVES ALSO WORK THROUGH LOCAL ASSISTANCE PROGRAMS. LARRY TADE, GENERAL MANAGER AT THE 1,~~2~~650-MEMBER VALLEY ELECTRIC COOPERATIVE IN GLASGOW, UNDERSCORES THIS POINT:

> "...we work with several non-profit entities in the local area that have funds for energy bills if we will provide names to them of folks in need..."

AT BIG HORN COUNTY ELECTRIC COOPERATIVE, WHICH SERVES THE CROW RESERVATION AND IS HEADQUARTERED IN HARDIN, SIMILAR EFFORTS ARE MADE TO ASSIST LOW-INCOME INDIVIDUALS.

FOR EXAMPLE, METER LOOPS AND ASSOCIATED MATERIALS ARE PROVIDED AT NO COST TO THE CONSUMER. THIS SAVES A LOW-INCOME CONSUMER APPROXIMATELY $300.00 WHEN THEY INSTALL A NEW SERVICE.

ALSO, SINCE 1992, BIG HORN HAS WRITTEN OFF APPROXIMATELY $40,000 IN BAD DEBTS. THE COOPERATIVE ALSO WAIVES FEES AND OTHER CHARGES IN CERTAIN INSTANCES, TO ASSIST LOW-INCOME MEMBER/CONSUMERS.

MOREOVER, SINCE 1994, BIG HORN ELECTRIC HAS PAID THE CROW TRIBE APPROXIMATELY $85,000 IN TAXES.

IN NOVEMBER, BIG HORN PAID AN ADDITIONAL $25,000 IN CROW TAXES, BRINGING THE TOTAL TAX PAID TO THE TRIBE TO MORE THAN $110,000. THE CROW UTILITY TAX CODES STATE THESE FUNDS ARE TO BE USED TO ASSIST TRIBAL MEMBERS WITH THEIR POWER BILLS.

THIS TAX, COMBINED WITH COOPERATIVE WRITE-OFFS, PLACES THE AVERAGE ANNUAL CONTRIBUTION BY 2,133 MEMBERS AT BIG HORN ELECTRIC AT $68.00 PER MEMBER.

WITH REGARDS TO BILL WRITE-OFFS, WE DO ACKNOWLEDGE THAT SOME PORTION OF THESE WRITE-OFFS ARE FOR MEMBER/CONSUMERS WHO HAVE LEFT THE COOPERATIVES WITHOUT PAYING THEIR BILLS. HOWEVER, OUR COOPERATIVES REPORT THAT A SUBSTANTIAL PORTION OF BILL WRITE-OFFS ARE TRULY LOW-INCOME INDIVIDUALS THAT CANNOT PAY.

AT FERGUS ELECTRIC COOPERATIVE, HEADQUARTERED IN LEWISTOWN, $8,699 WAS WRITTEN OFF IN 1995. FERGUS ELECTRIC HAS 3,186 MEMBERS.

NORTHERN LIGHTS, OUR ELECTRIC COOPERATIVE SERVING NORTHWEST MONTANA AREA, REPORTS ITS WRITE-OFFS FOR NON-PAYMENT ACCOUNTS WILL TOTAL OVER $30,000 IN 1996.

THE COOPERATIVE, WHICH IS BASED IN IDAHO, ALSO CONTRIBUTES TO A PROGRAM KNOWN AS "HELPING HANDS." AS OF OCTOBER 15, 1996, A TOTAL OF $11,302 HAD BEEN CONTRIBUTED TO THIS PROGRAM FOR ENERGY ASSISTANCE TO LOW-INCOME INDIVIDUALS.

FLATHEAD ELECTRIC COOPERATIVE, HEADQUARTERED IN KALISPELL, IS UNDERTAKING A STRONG EFFORT TO INCREASE ITS ASSISTANCE. ENERGY SHARE CONTRIBUTIONS AT FLATHEAD ELECTRIC INCREASED BY 20 PERCENT THIS YEAR. IN ADDITION, THE COOPERATIVE THIS PAST YEAR WAIVED ONE HALF OF THE BASIC SERVICE CHARGE FOR LIEAP ELDERLY AND DISABLED MEMBERS.

FLATHEAD ELECTRIC HAS ALSO TAKEN A LEADERSHIP ROLE IN ENCOURAGING OTHER ELECTRIC COOPERATIVES IN MONTANA TO INCREASE ASSISTANCE TO LOW-INCOME MEMBERS. JANICE WEAVER, FLATHEAD ELECTRIC'S DIRECTOR OF OFFICE SERVICES, REPRESENTS ALL THE MONTANA COOPERATIVES ON ENERGY SHARE'S BOARD OF DIRECTORS.

THIS YEAR, SHE ISSUED "THE COOPERATIVE CHALLENGE" TO OUR COOPERATIVES, CHALLENGING EACH OF THEM THIS FALL TO CONTRIBUTE 50 CENTS PER MEMBER TO THE ENERGY SHARE FUEL FUND FOR THE 1996-97 HEATING SEASON.

ALSO THIS YEAR, EACH OF OUR COOPERATIVES RECEIVED A PERSONALIZED LETTER FROM GREG GROEPPER, EXECUTIVE DIRECTOR OF ENERGY SHARE OF MONTANA, ENCOURAGING THEM TO INCREASE THEIR CONTRIBUTION.

THESE EFFORTS HAVE ALREADY BEGUN TO PAY OFF. MR. GROEPPER REPORTS CONTRIBUTIONS BY OUR COOPERATIVES ARE ALREADY SIGNIFICANTLY HIGHER THAN LAST YEAR, WITH THE FUNDRAISING PROMOTION BARELY UNDERWAY.

AS YOU CAN SEE, OUR ELECTRIC COOPERATIVES ARE GENEROUS, ACTIVE, COMPASSIONATE AND COMMUNITY-MINDED BUSINESSES THAT WILL READILY RESPOND AS NEEDS ARE PRESENTED.

SUMMARY

WE REALIZE THAT IN THE COMING NEW ERA OF COMPETITIVENESS IN THE ELECTRIC UTILITY INDUSTRY, CONCERNS EXIST ABOUT MAINTAINING A "LEVEL PLAYING FIELD." SOME OF THESE CONCERNS ARE LEGITIMATE.

HOWEVER, WE URGE THE COUNCIL TO KEEP IN MIND SEVERAL IMPORTANT FACTS ABOUT RURAL ELECTRIC COOPERATIVES AS IT CONSIDERS VARIOUS ALTERNATIVES:

1) Cooperatives do not hold any advantages over investor-owned utilities. In fact, we are already disadvantaged in terms of facing higher average electric rates than our IOU counterparts;

2) Cooperatives are also already disadvantaged in terms of return on their investment. Because of low-density service territories, our cooperatives receive only about half the dollars in energy sales that a typical IOU does for every $1 of plant investment.

ELECTRIC COOPERATIVES CONTINUE TO BELIEVE THAT A VOLUNTARY APPROACH TO ENERGY ASSISTANCE FOR LOW-INCOME INDIVIDUALS IS THE BEST METHOD OF ADDRESSING THE NEEDS OF THESE PEOPLE. WE BELIEVE THIS APPROACH HAS WORKED TO THE BENEFIT OF OUR MEMBERS. WHEN, FOR EXAMPLE, REGULATED UTILITIES WERE HANDED A SET OF RULES GOVERNING DISCONNECTION OF ENERGY SERVICES DUE TO NON-PAYMENT, MOST OF OUR COOPERATIVES' BOARD MEMBERS FOLLOWED SUIT BY ADOPTING IDENTICAL OR VERY SIMILAR POLICIES.

FOLLOWING IS A RECAP OF OUR RATIONALE FOR SUPPORTING A VOLUNTARY APPROACH FOR OUR COOPERATIVES:

1) Cooperatives are in the business of service, not profit. They exist for the purpose of helping their members and strive to continually have their best interests in mind;

2) Cooperatives generally know their members, including the low-income members. When these people face financial difficulty, cooperatives have a demonstrated track record of being responsive and responsible neighbors;

3) Cooperatives have proven that if a greater need is presented they will not ignore it, i.e., the Energy Share Challenge.

IN SHORT, ON BEHALF OF NEARLY 300,000 RURAL ELECTRIC CONSUMERS, WE URGE THE COUNCIL TO GIVE SERIOUS CONSIDERATION TO A VOLUNTARY APPROACH THAT DOES NOT REMOVE FREEDOM OF CHOICE IN THIS MATTER. WE ALSO BELIEVE A MANDATED TYPE OF APPROACH REMOVES THE RESPONSIBILITY THAT HAS BEEN ENTRUSTED TO ELECTRIC COOPERATIVES TO TAKE CARE OF THEIR MEMBERS. IN OTHER WORDS, WE BELIEVE OUR ACTIONS HAVE PROVEN THAT ELECTRIC COOPERATIVES REMAIN WORTHY OF THIS TRUST.

THANK YOU, AGAIN, FOR THE OPPORTUNITY TO SUBMIT THESE COMMENTS.

TO THE MEMBERS OF THE LOW-INCOME ADVISORY COMMISSION
10/27/96

I thought it might be helpful to provide a summary of the decisions we made this week, as well as put forth for your thoughts some ideas upon which we did not make decisions, but will need to if we continue on this path.

The concept:

A charge on all retail energy sales, collected in an equitable manner, from all fuel suppliers for the purpose of funding low-income energy assistance and conservation programs.

Let's call it the Low Income Retail Energy Charge (LIREC).

Equitable assessment options:

1. On gross retail operating revenues
2. Per unit of retail sales, adjusted for Btu content of various fuels
3. To produce enough revenue from each fuel type to continue the level of funding for low-income customers of each fuel type now receiving LIEAP benefits

Mandatory/Voluntary:

To allow maximum local control, at the same time that all fuel providers and their customers are equally impacted by the charge, the charge will be levied on retail sales "at the meter". Credits against the tax would be allowed for approved low-income programs and activities operated by the fuel providers. Such credits could be for bill writeoffs, rate discounts, Energy Share donations or weatherization programs. A certain amount may be mandated to be used for cash supplements for low-income people (writeoffs, Energy Share, discounts) to assure that with the available Federal dollars, low-income customers are adequately served.

Fuel providers wanting to create local programs would have the LIREC collections to fund the programs, while fuel providers who do not want local programs would simple forward their collections to the PHHS.

Level of funding:

To achieve about the level of funding that was present before the substantial recent Federal cutbacks, $6 million would have to be raised. On a gross revenues basis, this equates to .67 of one percent for all fuel providers. (These numbers are very preliminary)

Assuring equal protection across the state to all low-income people:

Because of the local program tax credits option, it is important to provide a way to assure equitable funding for all low-income customers, regardless of which fuel provider serves a particular customer. One possibility would be to let the PHHS set the benefit level for each LIEAP client by fuel type and family size, as is currently done.

The local fuel provider could then provide up to 100% of that benefit level to their

own customer, taking the direct benefit expense as a credit against the LIREC. If a customer was still underserved, the fuel provider can provide additional benefits (not eligible for the LIREC credit) or partner the customer with Energy Share.

In areas of high concentrations of low-income people, the local fuel providers would probably exhaust their LIREC tax credits quickly (if they chose to operate a local program). Their customers then would receive benefits from the Federal dollars available, as well as from the LIREC state pool collected.

In areas of affluence, local providers can assist the low-income customers they have, up to the level of benefits set by the state. The remaining LIREC collections would be sent to the PHHS to become part of the pool of LIREC and Federal dollars used to provide LIEAP benefits uniformly throughout the state.

Avoiding an administrative nightmare:

Obviously, the option of local programs, but with capped benefits, means that local programs will have to determine how they track assistance given to various customers. Discounts would be fairly easy to track on the providers' CIS systems. Energy Share contributions would not be tracked by customer, since the contribution is sent directly to ESM. Writeoffs and weatherization programs may present a problem.

If fuel provider does not wish to operate a local program, they can avoid all administration by remitting all LIREC collections to the state, at the same time they are assured that their low-income customers will be adequately served.

One last thought - perhaps for the first try at this through the legislature, it would be simpler to deal just with cash benefits, leaving the weatherization portion for a future session.

Sheila Rice
10/26/96

Minutes

November 15, 1996

Meeting Attachments

Draft Motion for LIEAP Funding Level
Analysis of Energy Share Trust Fund

Minutes of the Low-Income Energy Advisory Council
November 15, 1996
DPHHS Conference Room
Helena, Montana

The meeting was called to order at 10:00 A.M. by Michael Billings, Administrator of Operations and Technology Division of the Department of Public Health and Human Services. Present were Pat Corcoran, MPC (standing in for Jack Haffey); Tamie Aberle MDU (standing in for Wayne Fox); Sheila Rice, Great Falls Gas Company; Alan Nicholson, representing Non-Energy Related Enterprises; Gary Wiens, representing an Energy Related Enterprise; Tom Livers (standing in for Mark Simonich) Department of Environmental Quality; Jim Nolan and Kane Quenemoen, DPHHS and Tom Schneider.

Not present: Nancy McCaffree, representing the Public Service Commission, Matt Dale, representing the General Public; Michael Wall, representing Private Sector Non-Energy related Enterprise : Representative Royal Johnson, representing the Montana Legislature; Carl Visser, representing Non-Energy Related Enterprises: Lee Harn, representing the General Public and Barbara Sullivan, representing LIEAP recipients.

Others present, Glen Phelps, MPC; Gay Lynn Lyderer, MDU; Gregg Groepper and Rachael Haberman, Energy Share of Montana.

Opening remark was made by Michael Billings that at the end of the last meeting the council agreed that the Energy Share trust fund concept would be the first item to be discussed today. Alan Nicholson gave an overview of the ideas that were discussed at previous meetings about this issue. There had been a memo distributed with the idea to raise $10 million . One suggestion was to use the $10 million as a trust fund and operate on the interest, perhaps 5% or $500,000 annually. Could be funded through a combination of $5 million in tax credits spread over a 4 year period from various taxes such as coal, corporation or personal. Other $5 million from donors. Discussion on impact of various tax credits. Pat Corcoran asked why $10 million and stated he was not ready to vote.

<u>Motion</u>: Sheila Rice moved that the council approve the trust fund in concept and that council staff have a member of the legislature prepare a bill draft request.

<u>Action</u>: Gary Wiens seconded. Discussion followed. Because of the unknown impacts and the fact that the Governor would not have had a chance to review any requests for action, the motion was amended by Sheila Rice to approve the trust fund in concept and that an appropriate analysis of the impact be prepared by staff. Motion passed.

Greg Groepper asked that the council recommend to the Governor that he declare December 10th Montana Fuel Fund Day, to coincide with the national Fuel Funds Day. This would state support for Energy Share's efforts to help low income people. With council support, Mike Billings stated he would ask Peter Blouke take the recommendation to the Governor next week.

Next was discussion concerning LIEAP funding. Mike Billings distributed a draft motion that stated :

Whereas the Low Income Energy Advisory Council has determined that between 18,000 and 22,000 household will be in need of heating assistance under LIEAP in FY98 and FY99:

Whereas the Weatherization program has the capacity to cost effectively reduce the heating costs of approximately 2,100 of the highest energy consumption LIEAP households each year;

Whereas the Council has determined that the total cost of providing heating and weatherization assistance will be $10 million ($3.5 million in weatherization assistance and $6.5 million in LIEAP assistance) in both FY 98 and FY99; and
Whereas the federal government is expected to provide on $4.5 million in LIEAP heating assistance and $2.2 million in each of FY98 and FY99; then

To cover the deficiency between the total cost of LIEAP and Weatherization and the amount provided for those programs by the federal government, the Governor's Low Income Energy Advisory Council recommends that the Governor propose and the Montana Legislature enact a .3753 percent fuel surcharge on the gross retail operating revenues derived from the supply, transmission, transportation, distribution, delivery, customer charges, fees and rentals for electricity, natural gas, propane, fuel oil, coal and distillate fuel at the point of sale for customer use in Montana. Wholesale sales for resale are exempted to avoid multiple taxation. The surcharge may be reduced by credit for qualifying low-income programs for discounts, weatherization, fuel fund contributions and other bonafide programs that are generally available on a non-discriminatory manner to all qualifying low-income households. Net revenue generated by the surcharge will be remitted to the State for distribution to the above mentioned programs. The surcharge will remain at .3753 for each year of FY98 and FY 99.

Break for lunch.

Meeting continued at 1:30 P.M.

Considerable discussion of the draft motion but no action was taken. Tom Schneider presented an alternate idea which encompassed many of the concepts talked about. Consensus was agreed to marry the concepts in both the Billings and Schneider ideas to come up with a draft motion for next meeting.

<u>Motion</u>: Mike Billings moved that the Council adjust the target to be raised to $10 million.

<u>Action</u>: Motion passed.

<u>Motion</u>: Alan Nicholson offered a substitute motion to keep the target level at $12 million.

<u>Action</u>: Motion defeated.

It was decided to hold the next meeting in Helena on December 4th at 10:00 A.M. in room 306 of the DPHHS building, 111 N. Sanders street.

Meeting adjourned at 2:45 P.M.

DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES

MARC RACICOT
GOVERNOR

PETER S. BLOUKE, PhD
DIRECTOR

STATE OF MONTANA

PO BOX 4210
HELENA, MONTANA 59604-4210

November 26, 1996

To: Members of the Low-Income Energy Advisory Council

From: Jack Haffey, Chair
Nita Billings for

Subject: Informational materials and meeting reminder

My apologies for having to miss the last meeting. I understand it was particularly productive and that we are moving toward finalizing some recommendations. I assure you that I will make every effort to attend the next meeting which is scheduled for December 4th at 10:00 a.m. in Room 306 of the DPHHS building, 111 N. Sanders street in Helena.

Pursuant to council actions taken during the last meeting, I am attaching the following materials for your review and consideration:

- a draft motion that represents the November 15, 1996 consensus of the council proposing a recommendation to the Governor concerning a funding level and funding mechanism for the LIEAP and weatherization programs for FY98 and FY 99.

- an analysis of the fiscal impact of the Energy Share trust fund proposal requested by the council.

This information is being faxed to you, as well as mailed. The minutes of the November 15th meeting will be included in the mailed package.

Motion for recommendation to the Governor regarding state support for the LIEAP and Weatherization programs.

I move that the Low Income Energy Advisory Council make the following recommendation to the Governor:

Whereas the Low Income Energy Advisory Council has determined that between 18,000 and 22,000 Montana households will be in need of heating assistance under LIEAP in FY98 and FY99;

Whereas the Weatherization program has the capacity to cost-effectively reduce the heating costs of approximately 2,100 of the highest energy consumption LIEAP households each year;

Whereas the Council has determined that the total cost of providing heating and weatherization assistance will be $10 million ($3.5 million in weatherization assistance and $6.5 million in LIEAP assistance) in each FY98 and FY99; and

Whereas the federal government is expected to provide only $4.5 million in LIEAP heating assistance and $2.2 million in weatherization assistance each year FY98 and FY99; then

To cover the deficiency between the total cost of LIEAP and Weatherization and the amount provided for those programs by the federal government, the Governor's Low Income Energy Advisory Council recommends that the Governor propose and the Montana Legislature enact a .3753 percent fuel surcharge on the gross retail operating revenues derived from the supply, transmission, transportation, distribution, delivery, customer charges, fees and rentals for electricity, natural gas, propane, fuel oil, coal and distillate fuel at the point of sale for customer use in Montana. Wholesale sales for resale are exempted to avoid multiple taxation. The surcharge may be reduced by credit for qualifying low-income programs for discounts, weatherization, fuel fund contributions and other bonafide programs that are generally available on a non-discriminatory manner to all qualifying low-income households. Net revenue generated by the surcharge will be remitted to the State for distribution to the above mentioned programs. The surcharge will remain at .3753 for each year FY98 and FY99.

End Motion.

Justification

The intent of the motion is to ensure that all fuels and energy supplies are charged equitably for each component of a retail energy transaction, whether the fuel or energy supply source is produced or originates from within Montana or outside Montana. As energy markets become increasingly competitive and various components of the energy supply and delivery chain may be unbundled and provided by different entities, a level playing field among alternative fuels and all providers is essential. The intent is further that all consumers contribute equitably to the cost of providing for a basic human need. The amount the surcharge will add to the average Montana household's energy bill is $3.57 PER YEAR.

The consequences of not providing support for the weatherization program over and above the federal level are these:

- We will have ignored the long term trend of the federal government to withdraw support for a basic human need;
- We will be placing those most vulnerable among us at risk to their health as the cost of home heating becomes unattainable for them;
- We will be providing no incentive for private energy vendors to help; rather we will provide a disincentive for those companies to continue to provide help for those who can not pay by increasing their costs relative to their competitors' costs; and
- Since a high proportion of LIEAP and Weatherization clients are elderly and working poor rather than traditional welfare recipients we will be removing a critical resource necessary for them to maintain their self-sufficiency.

Assumptions of Energy Share Foundation Program

* The foundation is capped at $10,000,000

* The foundation is funded, in part, by a 50% tax credit for energy provider/distributer/marketer corporation donations.

* In addition to the tax credit, the entire donation would remain a charitable donation under federal and state corporation tax code.

* The tax credit is capped at $1,250,000 annually and $5,000,000 in total

  Any unused tax credit is carried forward into the following year

  Tax credit applies first to the coal tax liability, second to corporation license tax and third to the 101 mills of statewide property tax.

  The property tax credit would function as a Department of Revenue rebate for ease of administration

* The tax credit would be on a first come first served basis. In other words, if one corporation donated $2,500,000 on the first of the year, the tax credit would be closed for the remainder of that year. Subsequent donations would be applied against the following year or years.

* The foundation would be administered by the Montana Community Foundation and donations certified by either the Community Foundation or the Department of Commerce.

* No distributions would be made from the foundation until $5,000,000 in assets had been generated.

* 5% of the annual earnings of the foundation would be distributed to the Energy Share Board of Directors. The remaining earnings would be reinvested in the foundation.

The tax implications of the credit are estimated on the reverse of this page using different scenarios of corporate donations. Because of the way the coal tax is earmarked, a $1.00 credit in coal tax only costs the state general fund $.2679. Options one and two assume Montana Power has 5/9 of the regulated gas and electric LIEAP customers and revenues for the purpose of estimating the coal tax credit impact. Option 3 uses actual fuel fund benefits paid from Energy Share on behalf of utility customers for each of the listed groups. The least general fund impact of the credit would be if Montana Power made the entire donation (all coal tax credit @ $334,875). The greatest cost would be all against corporation and property tax ($1,250,000). The actual impact would be somewhere between those two extremes.

Tax Credit Implications of Energy Share Foundation

All credits calculated as a cost to the General Fund only

Option 1		Percent LIEAP	Annual donation $2,500,000	Coal Tax Credit*	Corp Tax Credit	Property Tax Credit	Total Credit
Regulated gas		56.40%	$1,410,000	$104.928	$313,333		$418,261
Regulated electric		17.30%	$432,500	$32.185	$96,111		$128,296
Propane		11.70%	$292,500		$146,250		$146,250
Cooperatives		6.30%	$157,500			$78,750	$78,750
Fuel oil		3.00%	$75,000		$37,500		$37,500
Other		5.30%	$132,500		$66,250		$66,250
Total		100.00%	$2,500,000	$137,113	$659,444	$78,750	$875,307
Option 2		Percent total Revenues					
Regulated gas		20.10%	$502,500	$37,394	$111,667		$149,061
Regulated electric		48.50%	$1,212,500	$90,230	$269,444		$359,675
Propane		3.50%	$87,500		$43,750		$43,750
Cooperatives		15.90%	$397,500			$198,750	$198,750
Fuel oil		12.00%	$300,000		$150,000		$150,000
Other		0.00%	$0		$0		$0
Total		100.00%	$2,500,000	$127,625	$574,861	$198,750	$901,236

Energy Share Assistance Paid 1995-1996

Option 3			Annual donation $2,500,000	Coal Tax Credit†	Corp Tax Credit	Property Tax Credit	Total Credit
MPC	110011	60.14%	$1,503,589	$201,406			$201,406
PP&L	9986	5.46%	$136,485		$68,242		$68,242
MDU	10527	5.76%	$143,879		$71,940		$71,940
GFG	7557	4.13%	$103,286		$51,643		$51,643
COOPS	31622	17.29%	$432,198			$216,099	$216,099
Propane	5026	2.75%	$68,693		$34,347		$34,347
Other	8185	4.47%	$111,870		$55,935		
Total	182914	100.00%	$2,500,000	$201,406	$282,107	$216,099	$699,611

*Coal tax credit costs the general fund 26.79% of each dollar of credit
Rural electric cooperatives' taxable value in 1995 $9,030,156 real and $3,609,694 personal.
Using 101 mills statewide, maximum credit is $1,276,605.

Other points to remember
$75,000,000 annually paid for corporation license tax and individual business income taxes
Against the above, annually, about $1,000,000 in tax credits is taken .
$470,000,000 in total business taxes
Impact of proposed tax credits is negligible

Appendix D

Meeting Minutes & Attachments

October, 1997 through February, 1998

Minutes

October 27, 1997

Meeting Attachments

Attachment B - Qualifying Federal Leveraging Activities

Low-Income Energy Advisory Council
Monday, October 27, 1997
Public Health & Human Services Building
Room 107

Acting Chairman Mike Billings called the meeting to order at 9:15 a.m.

Members Present

Mike Billings, Department of Public Health and Human Services, Acting Chairman
Tamie Aberle, Montana-Dakota Utilities Representative
Matt Dale, General Public Representative
Marilyn DeSmet, Great Falls Gas - Energy West Representative
Representative Royal Johnson, Legislative Representative
Gene Leuwer, for Carl Visser Non-Energy Related Enterprises Representative
Nancy McCaffree, Public Service Commission Representative
Alan Nicholson, Non-Energy Related Enterprises Representative
Mark Simonich, Department of Environmental Quality Representative
Kate Whitney, Public Service Commission Representative
Gary Wiens, Electric Cooperatives Representative
Deb Young, Montana Power Company Representative

Members Not Present

Mike Wall, Private Sector Representative (excused)

Guests Present

Keith Colbo, Colbo Consulting
Gregg Groepper, Energy Share of Montana
Rachel Haberman, Energy Share of Montana
John Hines, Northwest Power Planning Council
Mick Robinson, Governor's Office

Staff Present

Todd Everts, Legislative Council
Jim Nolan, Intergovernmental Human Services Bureau
Tom Schneider, Consultant
Sharon Cummings, Intergovernmental Human Services Bureau

Mr. Billings stated that the purpose of this meeting is to summarize the current position of the Low-Income Energy Advisory Council (LIEAC), what LIEAC recommendation results are and to discuss utility restructuring in regards to low-income assistance.

Review of Governor's Charge, 1996 Lieac Report and Governor's Response

Mr. Nolan discussed the material that was sent to LIEAC members before this meeting explaining LIEAC's charge as outlined in the Executive Order that established the council. Mr. Nolan also summarized the proposals LIEAC made to the Governor and the Governor's response. SB 390, electric restructuring, passed during the 1997 Legislative Session and some of the items LIEAC suggested were included in the final bill.

Mr. Nolan reported that Mr. Schneider was selected through the Request for Proposal (RFP) process to assist DPHHS with LIEAC and the Transition Advisory Committee (TAC) which was created to make recommendations to the Governor on implementation of the Universal System Benefits Program fund created by SB 390. He is also to analyze Public Service Commission (PSC) proceedings in restructuring and to represent the Department, as requested. Staff was requested to prepare a list of TAC members for LIEAC members.

Discussion followed on the endowment bill that was passed during the 1997 Legislative Session and how it is not the bill envisioned by this group. It was reiterated that many LIEAC recommendations succeeded. SB 390 does not include low-income provisions for all energy services, propane and fuel oil are not included in the legislation, but the TAC has been required to address this deficiency. It was pointed out that an advisory council has not been created to address SB 396, natural gas restructuring, but the TAC has asked for input from gas providers. The difference between low-income provisions in SB 390 and SB 396 were explained to the group.

The question of the role of LIEAC was addressed. Mr. Groepper explained that there is no definition for what is to be done with Universal System Benefits Charge (USBC) money not expended that is to come to the state. Perhaps LIEAC could give direction or advice to TAC on this subject. Mr. Nolan pointed out that the USBC sunsets in five years and will need to be renewed. LIEAC may be able to make recommendations to TAC on this. Mr. Schneider directed the group to the last two paragraphs in the Governor's letter dated February 11, 1997. He feels these paragraphs give guidance and direction to LIEAC. (Attachment A)

Review of SB 390 & SB 396

Mr. Schneider requested that representatives of the various utility companies explain how their company is addressing restructuring and low-income issues.

Montana Power Company (MPC)

Ms. Young explained that the new low-income funding levels are comparable to past and current MPC funding. The natural gas funding requirement in SB 396 is lower than

MPC currently expends, but they are not planning to decrease their contribution. Draft Exhibit DRH-2, MPC's recommendations for electric USBC fund allocation, was distributed and explained. Ms. Young reported that natural gas USBC funds total $1.2 million with $900,000 allocated to low-income assistance and $300,000 allocated to gas conversion for non low-income customers.

Discussion followed on how these numbers and percentages were arrived at and the possibility of making the .42% in SB 396 a floor and not a fixed figure. It was pointed out that this percentage is based on annual revenues and could increase as revenues increase.

Ms. Young reported that MPC has asked for the flexibility to carry over large user unexpended funds and reallocate them to public purposes the following year. With the current legislation these unexpended funds go to a state fund.

Electric Cooperatives (Coops)
Mr. Wiens reported that the electric cooperatives are required to participate in the USBC. The Coops will collectively pool credits which will result in a total USBC of $2 million with $350,00 going toward low-income assistance. A Restructuring Task Force has been created to develop a USBC plan. This task force is in the process of putting together a pooling structure that will make sure each Coop is carrying its fair share.

Discussion followed on how the Coops will define low-income and what type of measures will be put in place for low-income consumers. Mr. Wiens reported that the task force identified donations and grants to Energy Share of Montana, reduced rates, weatherization grants and discounts as possible assistance for low-income consumers. Mr. Wiens welcomed guidance from the other utilities on establishing low-income guidelines. Mr. Wiens stated that the Coops will not abuse the credits that are provided in SB 390 and will provide low-income reports to the state.

Montana-Dakota Utilities (MDU)
Ms. Aberle reported that MDU does not ask their rate payers to fund public policy projects. MDU is in the process of responding to the PSC on SB 396 compliance and is not filing a transition plan on SB 390 at the present time. MDU's total USBC allocation will be $188,000 for natural gas and $676,000 for electric with $115,000 going toward low-income assistance. MDU does not currently have a low-income discount and is examining many issues.

Great Falls Gas (GFG)
Ms. DeSmet explained that GFG is currently funding low-income programs at a level above the amount required in SB 396. Current GFG programs include furnace replacement and repair, support for Energy Share of Montana and low-income discounts. They plan on continuing with these programs at the level they are now

funded. GFG would like to have all energy players involved in low-income programs.

Northwest Power Planning Council
Mr. Hines reiterated the fact that propane and fuel oil are not addressed in existing legislation; currently 85% of energy consumers are being provided for in natural gas and electric low-income assistance. He urged LIEAC to continue to advocate that all fuels be included and that they work with TAC on designing legislation that includes propane and fuel oil.

Pacific Power and Light
Mr. Hines reported that PP&L has refiled their amended plan. MPC and PP&L have timeframes for getting plans in place for TAC.

Lunch Break

Meeting resumed at 1:20 p.m.

Review LIEAC Efforts to Meet Needs

A needs handout was distributed and discussed. Mr. Schneider explained LIEAC goals and changes that have occurred since the group last met. The number of low-income households getting assistance is dropping, possibly because outreach has been cut as federal funds decline and people may not want to go through the work involved in applying for this assistance. GFG enacted a 15% LIEAP discount during the 1997 Legislative Session. The TAC has requested recommendations on administering and allocating USBC funds by July, 1998.

Mr. Nicholson's recommended the following issues for LIEAC to undertake:
- establish an endowment as recommended in the fall of 1997;
- USBC fund allocation;
- inclusion of propane and fuel oil in future legislation;
- setting criteria as to what is considered a low-income consumer;
- encourage more flexibility in regard to natural gas USBC's.

Mr. Nicholson asked that all recommendations be made in a clear and understandable fashion and that LIEAC ask to meet directly with the Governor to present these recommendations.

Discussion followed on what the endowment recommendation made to the Governor contained. Mr. Groepper explained the endowment as envisioned by LIEAC at that time, why it is needed, how current legislation does not meet the need and why this proposal did not get legislative approval.

MOTION Mr. Nicholson made the motion that LIEAC revisit their committment to the endowment and ask the Governor to develop legislation and budget for the impact of this legislation.

ACTION The motion passed.

MOTION Mr. Nicholson made the motion to encourage the Governor to include propane and fuel oil in legislation for the purpose of bringing all energy providers onto a level playing field in respect to USBC issues, specifically low-income assistance.

ACTION The motion passed.

MOTION Mr. Nicholson made the motion to ask the Governor, in light of the uncertainty of federal funding, to consider legislation to set the natural gas USBC of .42% of gross revenues as a floor that can be raised by the PSC as needed.

Discussion followed with some members voicing their unwillingness to vote on this issue until they have more information. Mr. Nicholson recommended that there be another LIEAC meeting where staff brings information and options on this issue.

Presentation by Todd Everts, Legislative Services Division

Information on the Transition Advisory Committee and the TAC United System Benefits Program Fund Subcommittee was distributed and discussed. Mr. Everts stated the TAC USBC subcommittee will be looking to LIEAC for recommendations and he encourged LIEAC to become actively involved with the subcommittee. Discussion followed on the section of SB 390 which charges the TAC with developing plans to expand low-income assistance programs to all energy vendors.

The need for consistent standards was discussed. Mr. Nolan directed the group to the report to the Governor, dated January 7, 1997. The report defines credits against the surcharge that DPHHS currently uses for the federal leveraging program. (Attachment B)

Mr. Wiens said that the Coops are willing to listen to the proposals on credits but they want the flexibility to decide what constitutes low-income, type of credits, etc. Mr. Wiens felt the Coops could have a plan ready to present at the next TAC subcommittee meeting in December. The Coops realize there is a need for low-income guidelines but would not like to see these guidelines in the law itself.

Mr. Everts reported that TAC will recommend to the Governor and legislature, modifications and additions to this law. There are gaps in this legislation that TAC has been directed to fix.

General Discussion followed with a request to staff to provide LIEAC with information on the decline in LIEAP population and recommendations on outreach possibilities. It was decided that the utility companies will come back to LIEAC with their eligibility criteria and LIEAC will decide on recomendations to make to TAC at that time.

MOTION Mr. Nicholson made the motion to have the next LIEAC meeting on Wednesday, December 3, 1997 in Helena.

ACTION The motion passed.

The meeting adjourned at 4:00 p.m.

ATTACHMENT B

The Department of Public Health and Human Services (DPHHS) is responsible for administering the energy and weatherization assistance programs. The Council did not contemplate changes in administrative responsibility for either program. The administrative rule process would be used to establish what activities would qualify for credits against the surcharge. In general activities would include those accepted by the U.S. Department of Health and Human Services for purposes of leveraging non-federal energy and weatherization assistance resources into state programs (Federal Register, Vol. 57, No. 11, January 16, 1992, pp 1968-1972):

- Heating and energy crisis benefits including payments toward recipient households' energy costs;
- Payment toward recipient household weatherization costs;
- Purchase and delivery of fuels used by recipient households for home energy;
- Purchase, delivery and installation of weatherization materials;
- Purchase and delivery of blankets, space heating devises, equipment and other tangible items that are provided to help low-income households meet the cost of home energy;
- Discounted utility and bulk fuel prices for recipient households;
- Partial or full waivers of utility and other home energy connection and reconnection fees, application fees and late payment charges;
- Partial or full forgiveness of home energy bill arrearages;
- Discounts or reductions in the costs of home heating and weatherization materials;
- Donations of fuel and home heating and weatherization materials; and
- Services of paid staff donated by their employer to deliver fuel and other tangible items that help low-income households meet the costs of home energy.

Minutes

December 3, 1997

Meeting Attachments

Statewide LIEAP Customers
LIEAP Income Distribution - Statewide
LIEAP Customer % of Poverty - Statewide
LIEAP Income Distribution - MPC
LIEAP Customer % of Poverty - MPC
LIHEAP Outreach Activities by State

Low-Income Energy Advisory Council
December 3, 1997
Public Health & Human Services Building
Room 107

Acting Chairman Mike Billings called the meeting to order at 9:30 a.m.

Members Present
- Mike Billings, Department of Public Health and Human Services, Acting Chairman
- Marilyn DeSmet, Great Falls Gas - Energy West Representative
- Representative Royal Johnson, Legislative Representative
- Gene Leuwer, for Carl Visser Non-Energy Related Enterprises Representative
- Alan Nicholson, Non-Energy Related Enterprises Representative
- Gary Wiens, Electric Cooperatives Representative
- Deb Young, Montana Power Company Representative
- Mike Wall, Private Sector Representative

Members Not Present (excused)
- Tamie Aberle, Montana-Dakota Utilities Representative
- Wayne Fox, Montana-Dakota Utilities Representative
- Matt Dale, General Public Representative

Guests Present
- Keith Colbo, Colbo Consulting
- Gregg Groepper, Energy Share of Montana
- Rachel Haberman, Energy Share of Montana

Staff Present
- Jim Nolan, Intergovernmental Human Services Bureau
- Kane Quenemoen, Intergovernmental Human Services Bureau
- Tom Schneider, Consultant
- Lydia Bloom, Intergovernmental Human Services Bureau

Mr. Nicholson brought up the motion from the last meeting, about the agreement to revisit the foundation and try to see it incorporated into legislation. Mr. Nicholson volunteered to work and bring back a specific proposal to advance the Energy Share idea.

Mr. Nolan supplied a listing of what the Federal Government allows the State LIEAP Agency to claim for credit for the leveraging program. Mr. Nolan offered this as the discussion continued on SB 390 about what utilities are going to be able to claim for the credit. Mr. Nolan felt that this list would be a good place to begin.

Electric Cooperatives (Co-ops)
Mr. Wiens reported information from the Electric Cooperatives' USBC subcommittee meeting and where they are with the eligibility criteria. The Co-ops are considering limiting services to persons whose annual incomes are no higher than 150% of Federal Poverty guidelines with documented exceptions.

One thing that Mr. Wiens is not certain about, is their forgiveness of bills, writing off bills for some customers. Mr. Wiens explained how difficult it would be for the Co-ops to determine the income level of these customers. What Mr. Wiens would like to propose or would like to do is simply submit to the state the names of the customers who will receive the write offs. List those as credits and then let the state verify those income levels. However, that may not be workable because of privacy problems and getting the state to verify the incomes. If that doesn't work, credit write offs may be limited to those customers who are LIEAP recipients or are receiving some other kind of recognized assistance like Energy Share.

Low-Income Weatherization would utilize the same income eligibility criteria (150%). As far as the cost effectiveness ratio, the least relaxed that the standard would be is the federal standard of a dollar saved for a dollar invested.

Mr. Nicholson questioned if there would be any action on the part of the Co-ops to try to satisfy all of the people with the lowest incomes first and than work up. Mr. Nicholson's concern with this question is, that he would hope that the people with the most need would get the help first. Mr. Wiens was not sure of the answer, but he did say the state would have records of the customers, so it would not be hard to figure out who needed the most help.

Mr. Nicholson does not want the write offs to become, or doesn't think that it would be fair, for this to just become a way for the utilities to take their problem debts and write them against an obligation they would have anyway. Mr. Schneider noted that this was an issue in the MPC case. District XI Human Resource Council's position is that USBC shouldn't be diluted by that kind of ongoing business responsibility. That is, the uncollectables should not be considered as part of the 2.4% USBC. This is just a position of one intervenor in the case.

Mr. Nicholson asked if the staff could come back with a proposed resolution, or something that could be discussed at the next meeting, either pass or not pass in some form, so we can have something concrete to look at. A proposal to give to TAC committee, regarding how we can insure the people who need the help most get it. Mr. Billings pointed out that the staff does not have the authority to make recommendations to TAC. The recommendations would need to be made to the Governor, and then ask the Governor if he would make the recommendations to TAC.

MOTION Mr. Nicholson made the motion, that the staff work with providers to bring back to the next meeting of LIEAC suggested guidelines for use of low-income USBC credits by providers, which help assure that those who need the help most, get it without applying unreasonable administratively unworkable mandates. In particular, use of guidelines for write offs to gain credits should be examined. These guidelines will be presented to the Governor and the Department.

ACTION The motion passed.

Lunch Break

Meeting Resumed at 1:30 p.m.

Mr. Nolan brought up a question that was asked at the last meeting on information about the LIEAP participation. Tom Schneider gave an overview of LIEAP participation in Montana and surrounding states. Mr. Schneider was not certain of the cause of the drop offs, but he will continue the research on this issue.

Mr. Wall requested that DPPHS survey the people who have dropped off the LIEAP and find out why they did so.

Mr. Nolan discussed the LIEAC outreach activities. Mr. Nolan distributed a handout from the National Center for Appropriate Technology. The handout showed nine different types of outreach activities Montana's already using, but pointed out that maybe they're not being used to the extent that they should be.

Mr. Billings suggested some kind of survey be devoped, that will go out and sample the people who have dropped off of AFDC.

Mr. Groepper asked Mr. Nolan, if they ask the people how they found out about LIEAP. Mr. Groepper suggested doing some type of advertising to find out what works for the people who are showing up, if it's word of mouth or what?

Mr. Schneider gave an overview of the DPHHS testimony on MPC transition plan. Mr. Schneider provided a handout on this issue.

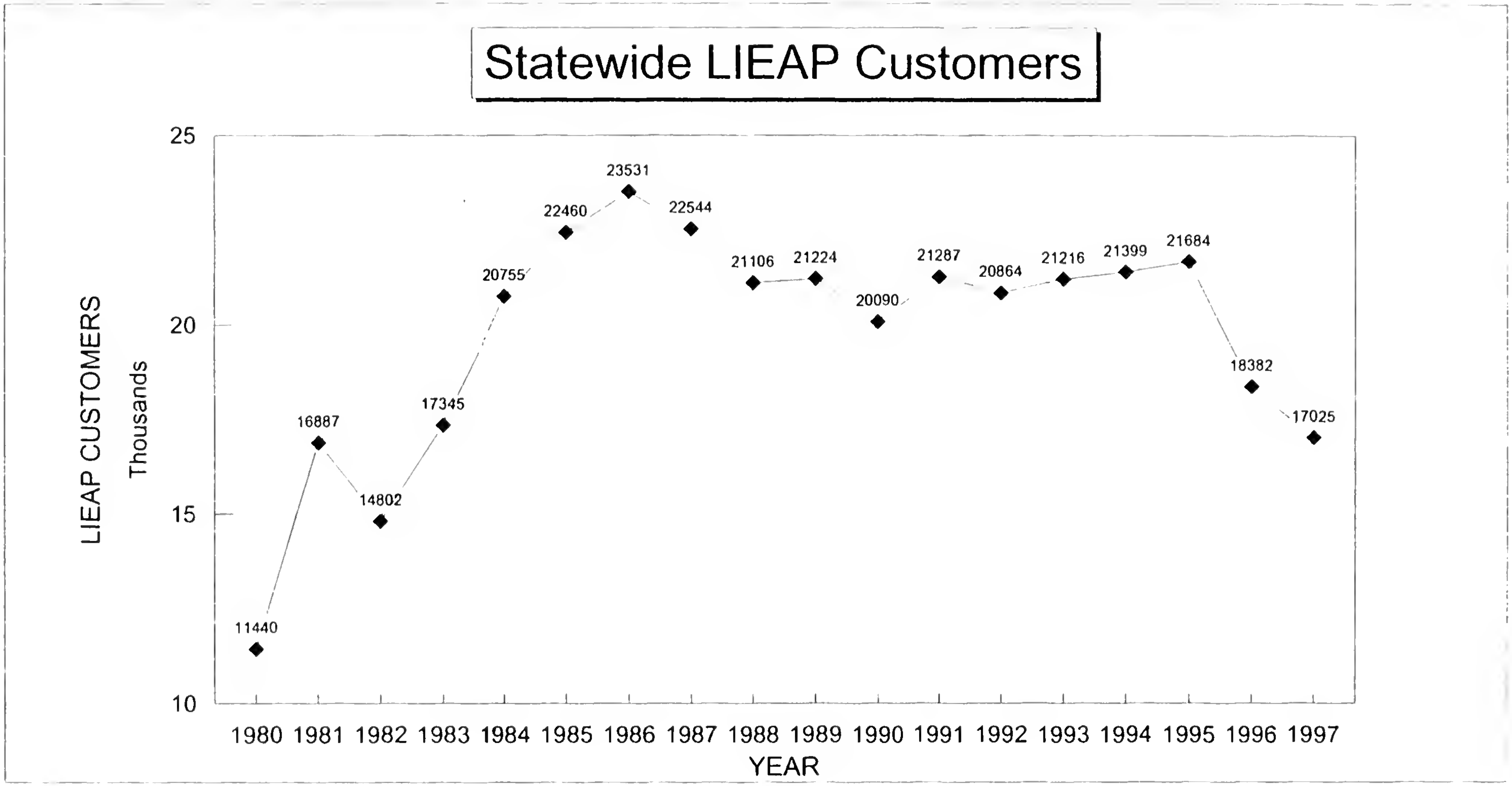
MOTION Low Income Energy Programs Advisory Council (LIEAC) recommends to the Governor and the Department of Public Health and Human Services the following list be provided to the TAC as a preliminary guideline for low income USBC credit. Including, but not limited to:

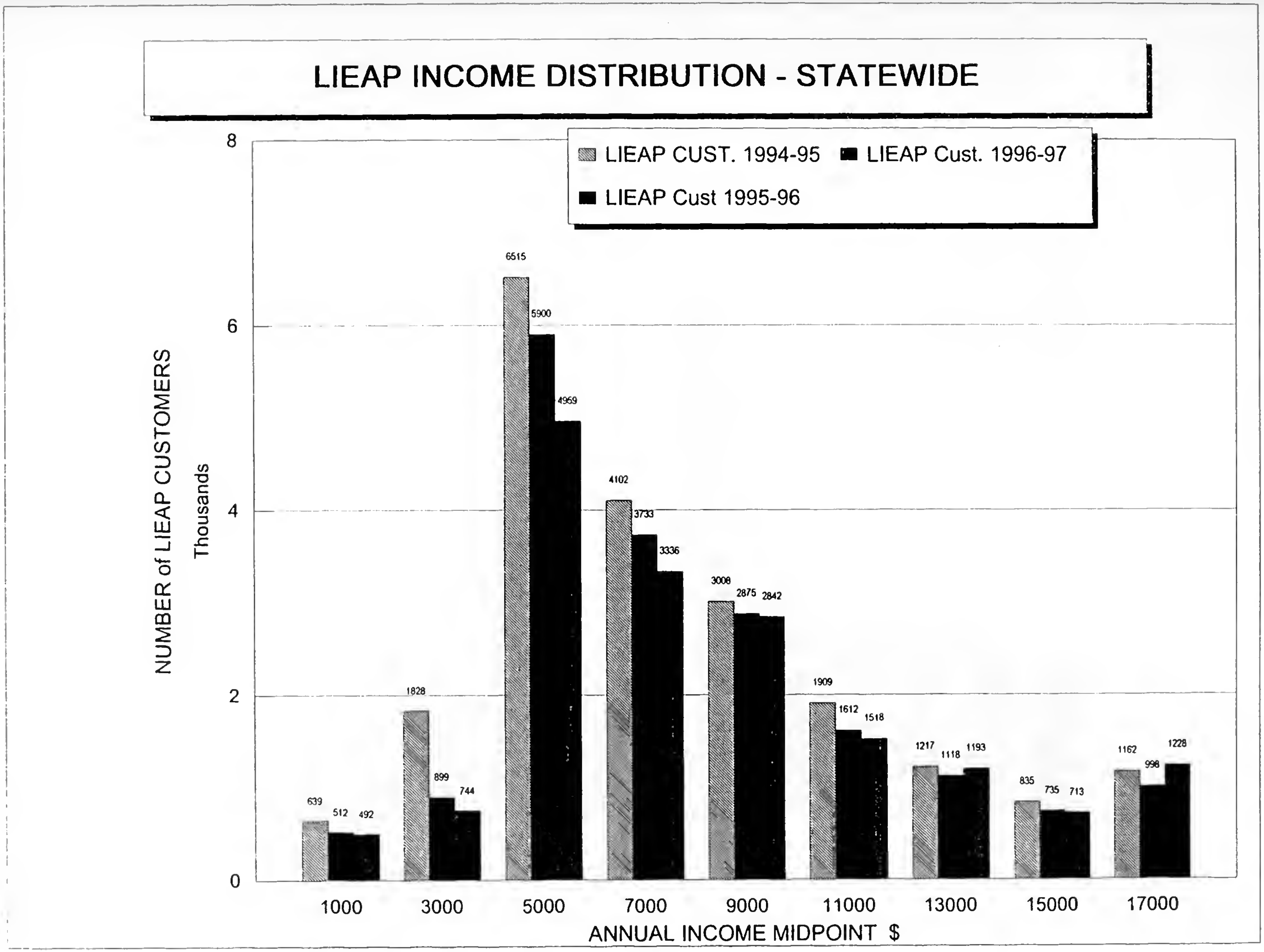
- Heating and energy crisis benefits including payments toward recipient households' energy costs;
- Payment toward recipient household weatherization costs;
- Purchase and delivery of fuels used by recipient households for home energy;
- Purchase, delivery and installation of weatherization materials;
- Purchase and delivery of blankets, space heating devises, equipment and other tangible items that are provided to help low-income households meet the cost of home energy;
- Discounted utility and bulk fuel prices for recipient households;
- Partial or full waivers of utility and other home energy connection and reconnection fees, application fees and late payment charges;
- Partial or full forgiveness of home energy bill arrearages;
- Discounts or reductions in the costs of home heating and weatherization materials;
- Donations of fuel and home heating and weatherization materials;
- Services of paid staff donated by their employer to deliver fuel and other tangible items that help low-income households meet the costs of home energy;
- Purchase, delivery and installation of energy efficient equipment/technologies which help low-income households meet the cost of home energy;
- Outreach for LIEAP enrollment;
- Funds contributed to qualified endowments created in HB 434 for the Low Income USBC purposes; and
- Safety/repairs related to Low Income energy issues.

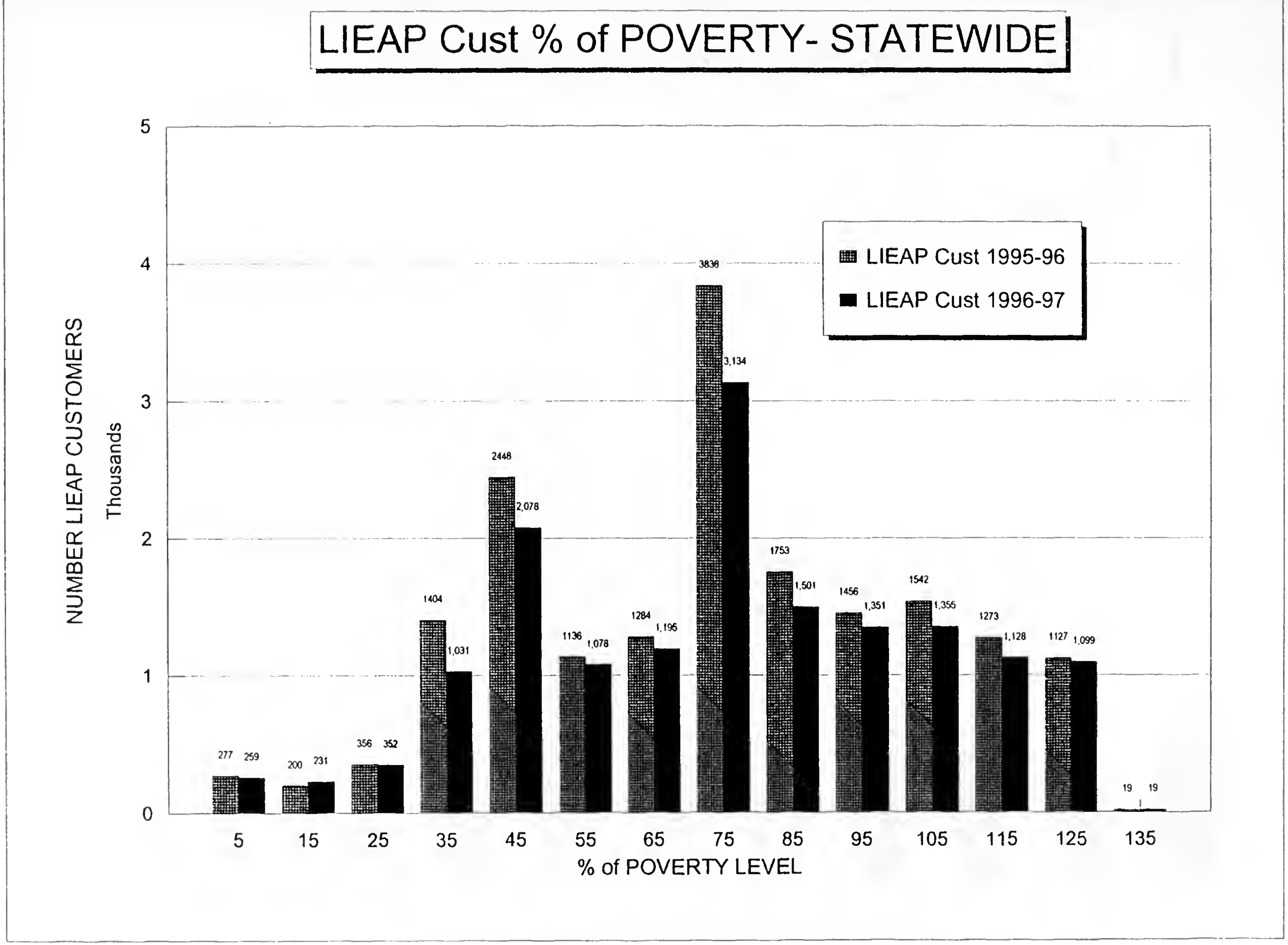
ACTION The motion passed

The next LIEAC meeting has been scheduled for Wednesday, January 21st, 1998 at 9:00 a.m. In room 108 of the Capitol building.

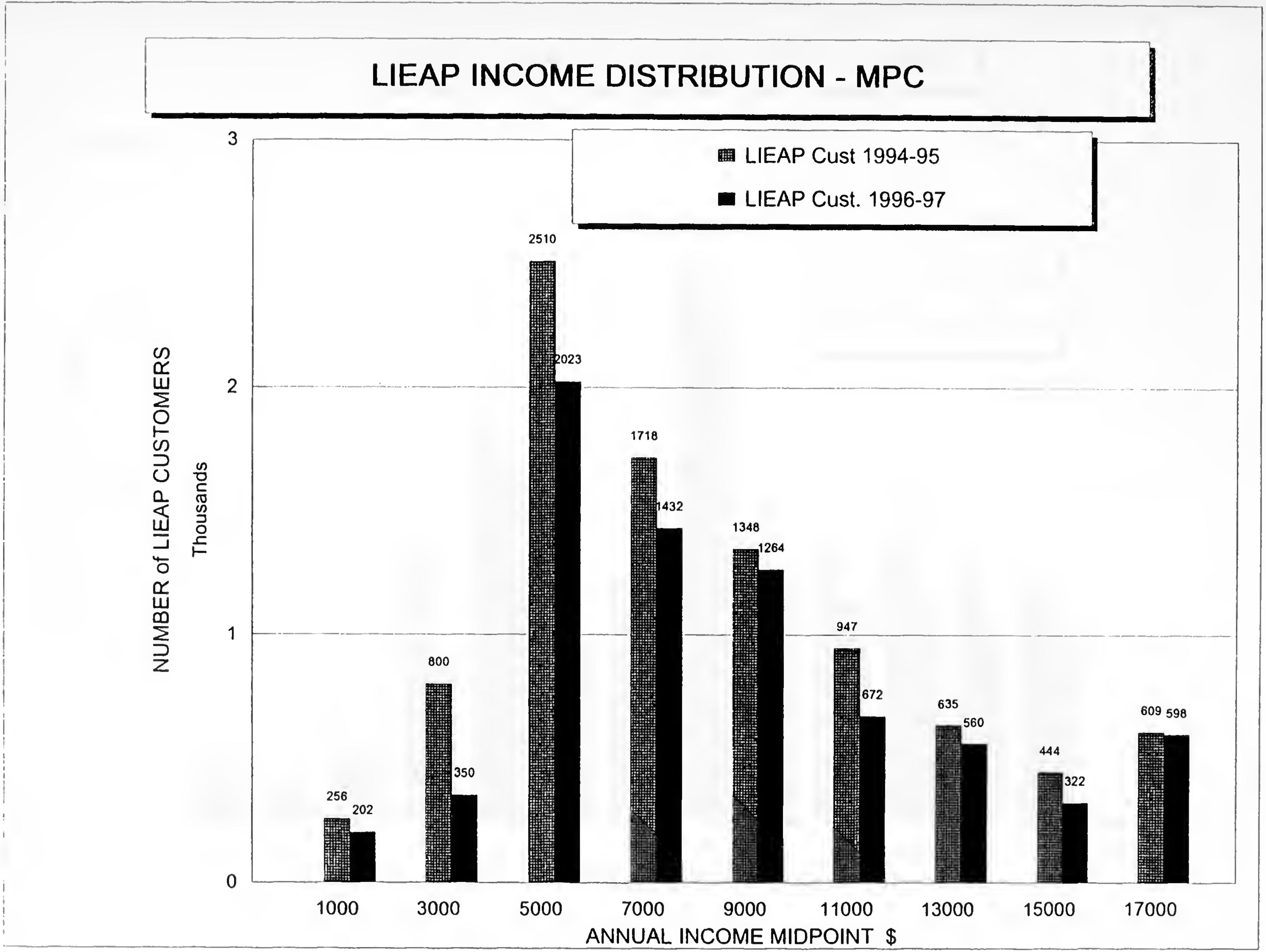
The meeting adjourned at 3:30 p.m.


Statewide LIEAP Customers
LIEAP CUSTOMERS
Thousands
25
20
15
10
11440
16887
14802
17345
20755
22460
23531
22544
21106
21224
20090
21287
20864
21216
21399
21684
18382
17025
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997
YEAR

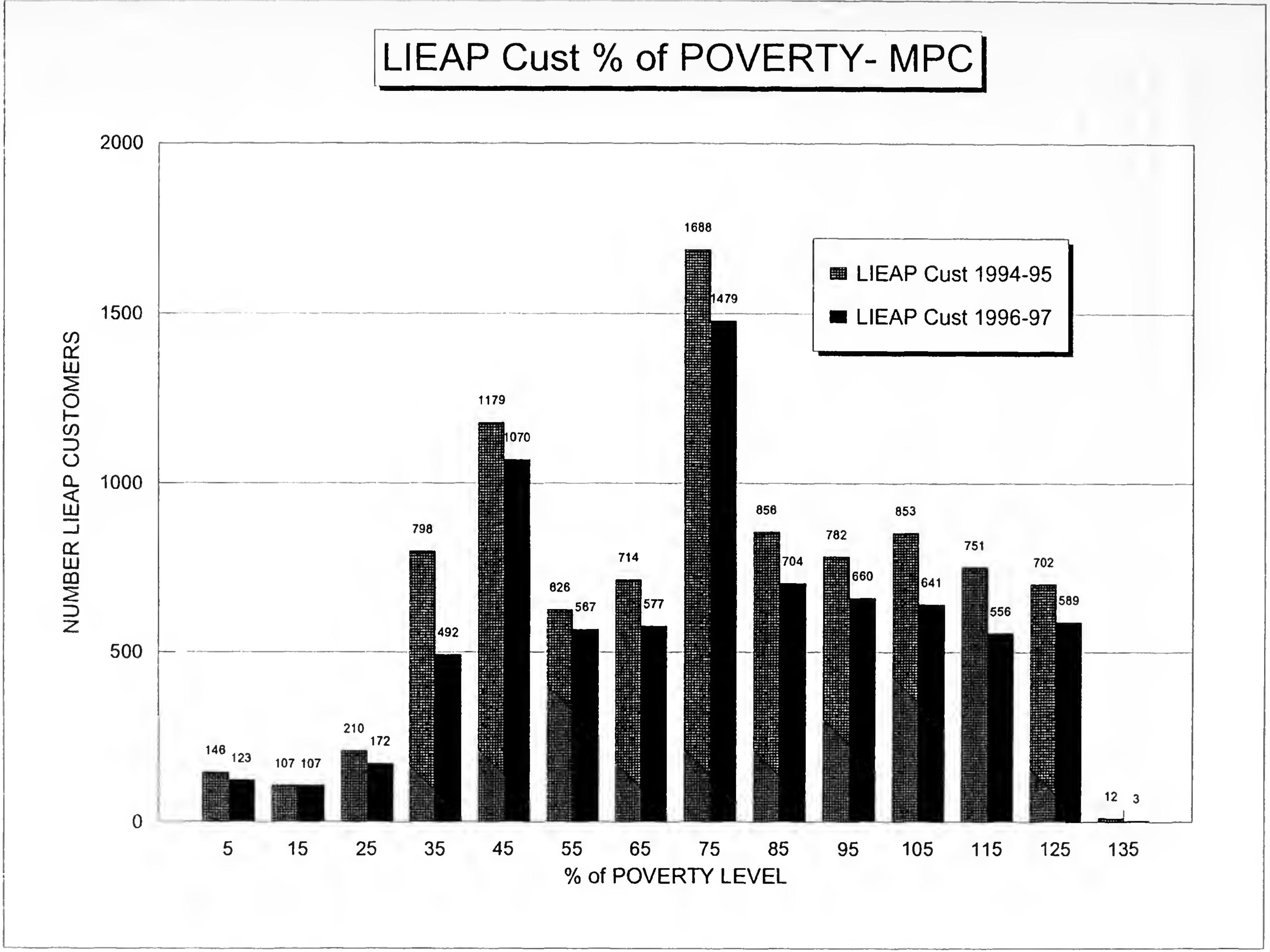

LIEAP INCOME DISTRIBUTION - STATEWIDE
LIEAP CUST. 1994-95
LIEAP Cust. 1996-97
LIEAP Cust 1995-96
NUMBER of LIEAP CUSTOMERS
Thousands
0
2
4
6
8
639
512
492
1828
899
744
6515
5900
4959
4102
3733
3336
3008
2875
2842
1909
1612
1518
1217
1118
1193
835
735
713
1162
998
1228
1000
3000
5000
7000
9000
11000
13000
15000
17000
ANNUAL INCOME MIDPOINT $



LIEAP Cust % of POVERTY- STATEWIDE
LIEAP Cust 1995-96
LIEAP Cust 1996-97
NUMBER LIEAP CUSTOMERS
Thousands
0
1
2
3
4
5
277
259
200
231
356
352
1404
1,031
2448
2,078
1136
1,078
1284
1,195
3838
3,134
1753
1,501
1456
1,351
1542
1,356
1273
1,128
1127
1,099
19
19
5
15
25
35
45
55
65
75
85
95
105
115
125
135
% of POVERTY LEVEL



LIEAP INCOME DISTRIBUTION - MPC
LIEAP Cust 1994-95
LIEAP Cust. 1996-97
NUMBER of LIEAP CUSTOMERS
Thousands
0
1
2
3
256
202
800
350
2510
2023
1718
1432
1348
1264
947
672
635
560
444
322
609
598
1000
3000
5000
7000
9000
11000
13000
15000
17000
ANNUAL INCOME MIDPOINT $



LIEAP Cust % of POVERTY- MPC
LIEAP Cust 1994-95
LIEAP Cust 1996-97
NUMBER LIEAP CUSTOMERS
2000
1500
1000
500
0
146 123
107 107
210 172
798 492
1179 1070
626 567
714 577
1688 1479
856 704
782 660
853 641
751 556
702 589
12 3
5 15 25 35 45 55 65 75 85 95 105 115 125 135
% of POVERTY LEVEL

LIHEAP OUTREACH ACTIVITIES

Note: Outreach is an important aspect of administering LIHEAP, both at the state and local level. Effective outreach means the most needy households, or those the state has prioritized such as elderly or disabled, are made aware of the program as well as of other energy-related programs for which they may be eligible. Effective outreach can also streamline the application process.

In their annual LIHEAP plans, LIHEAP grantees are asked to check which of the following activities are conducted in order to assure that eligible households are made aware of all available LIHEAP assistance. The information below is from FY 1997 state LIHEAP plans.

In addition to the nine activities listed, states also identified other means of outreach. These include toll-free phone lines operated by at least six states and special assistance such as translation and bilingual brochures to non-English speaking households.

At least ten states had special outreach for recipients of public assistance programs such as welfare and food stamps. This outreach was in the form of either mass mailings of applications to these households, early application periods, early notification, or pre-authorization.

FY 1997 LIHEAP Outreach Activities

State	A	B	C	D	E	F	G	H	I
Alabama	x	x	x			x		x	x
Alaska	x	x	x		x	x	x	x	
Arizona	x	x	x	x		x		x	x
Arkansas	x	x	x	x		x	x	x	
California	x	x	x	x	x	x		x	x
Colorado	x	x	x	x	x	x	x	x	x
Connecticut					x	x			x
Delaware	x	x	x	x	x	x	x	x	x
District of Columbia	x	x	x	x		x	x	x	x
Florida	x	x	x	x	x	x		x	x
Georgia	x	x	x			x	x	x	
Hawaii	x	x	x	x				x	
Idaho	x	x	x	x	x	x	x	x	x
Illinois		x	x			x	x		x
Indiana	x	x	x	x	x	x	x	x	
Iowa	x	x	x		x	x	x	x	x
Kansas	x	x	x	x	x	x		x	x
Kentucky	x	x	x	x		x		x	
Louisiana	x							x	
Maine	x	x	x	x	x	x	x	x	
Maryland	x	x	x	x	x	x	x	x	x
Massachusetts	x	x	x	x	x	x	x	x	x
Michigan		x	x		x				
Minnesota	x								
Mississippi	x	x	x			x		x	
Missouri	x	x	x		x	x		x	x
Montana	x	x	x	x	x	x	x	x	x
Nebraska	x	x	x	x	x	x	x	x	x
Nevada									

New Hampshire	x	x	x		x	x	x	x	x
New Jersey	x	x	x	x	x	x	x	x	
New Mexico	x	x	x	x		x		x	x
New York	x	x	x	x	x	x		x	x
North Carolina	x	x	x	x	x	x		x	x
North Dakota	x	x	x	x					
Ohio	x	x	x	x	x	x		x	x
Oklahoma	x		x			x		x	
Oregon	x	x	x		x	x	x	x	x
Pennsylvania	x	x	x	x	x	x			
Rhode Island	x	x	x	x	x	x		x	x
South Carolina	x	x	x	x		x	x	x	x
South Dakota	x	x	x	x	x	x	x	x	x
Tennessee	x	x	x	x		x		x	
Texas	x	x	x			x		x	
Utah	x	x	x	x		x	x	x	x
Vermont									
Virginia	x	x	x		x	x	x	x	
Washington	x	x	x	x	x	x		x	
West Virginia	x	x	x	x	x	x	x	x	x
Wisconsin	x	x	x	x		x	x	x	
Wyoming	x	x	x	x	x	x	x	x	x
Totals	46	46	46	33	30	44	25	43	29

A - provide intake service through home visits or by telephone for the physically infirm (elderly or disabled)
B - place posters/flyers in local and county social service offices, offices of aging, Social Security office VA, etc.
C - publish articles in local newspapers or broadcast media announcements
D - include inserts in energy vendor billings to inform individuals of the availability of all types of LIHEAP assistance
E - make mass mailing to past recipients of LIHEAP
F - inform low-income applicants of the availability of all types of LH assistance at application intake for other low-income programs
G - utilize early application period at the beginning of the program for the elderly or disabled
H - accept applications for energy crisis assistance at sites that are geographically accessible to all households in the area to be served (required by statute)
I - execute interagency agreements with other low-income program offices to perform outreach to target groups

Source: FY 1997 State LIHEAP Plans

Minutes

January 21, 1998

Meeting Attachments

Draft Guidelines for USBC Credits
Summary of Possible LIEAC Recommendations
Options for Endowment

Low-Income Energy Advisory Council
January 21, 1998
Capitol Building
Room 317

Acting Chairman Mike Billings called the meeting to order at 9:30 a.m.

Members Present
- Mike Billings, Department of Public Health and Human Services, Acting Chairman
- Marilyn DeSmet, Great Falls Gas - Energy West Representative
- Gene Leuwer, for Carl Visser, Non-Energy Related Enterprises Representative
- Alan Nicholson, Non-Energy Related Enterprises Representative
- Gary Wiens, Electric Cooperatives Representative
- Glen Phelps, Montana Power Company Representative
- Tamie Aberle, Montana Dakota Utilities Representative
- Matt Dale, General Public Representative
- Warren McConkie, Flathead Electric Co-op General Manager
- Mark Simonich, Department of Environmental Quality

Guests Present
- Keith Colbo, Colbo Consulting
- Gregg Groepper, Energy Share of Montana
- Rachel Haberman, Energy Share of Montana

Staff Present
- Jim Nolan, Intergovernmental Human Services Bureau
- Kane Quenemoen, Intergovernmental Human Services Bureau
- Tom Schneider, Consultant
- Lydia Bloom, Intergovernmental Human Services Bureau

<u>Low Income Eligibility Criteria</u>

A request of the council staff from the last meeting on the low-income eligibility criteria was presented. Mr. Schneider gave an update on this issue. There were some concerns about the need for flexibility from Mr. Groepper and Mr. Wiens. There has been some recognition that there needed to be a guideline in terms of what qualifies to be responsive to the council's recommendation to focus benefits on those that need it. The qualifications that the state uses have been distributed previously and they generally relate to LIEAP benefits being at 125% of federal poverty guidelines. One concern was would this allow flexibility to be responsive to individual family circumstances? Looking at the Energy Share's draft response to the TAC

Sub-Committee, it looked like there was a way to compromise that in terms of using 150% of poverty as being the broad guideline. The flexibility part of it would allow annualization to the 150% of poverty to reflect a changed family circumstance. Mr. Nolan added that there was also some concern that if you don't have a level of income you could disburse your resources across the state in a real hurry, but it wouldn't be targeted to those at the bottom end, but it could be anybody who is in an emergency circumstance. On the other hand we tried to recognize the need for flexibility at the local level that people wanted to have some discretion about who was getting served. So by annualizing, by saying go back a month, and multipling that by twelve, both spectrums have been covered. That would establish some accountability that people are actually low income and at the same time recognize that there needs to be flexibility at the local level. What Mr. Groepper had proposed to the Transition Advisory Committee in terms of what flexibility was, is if the state had to have certain rigid twelve month guidelines, that there should be set aside a portion of this money to allow for analyzing the incomes going back three months or something like that. Mr. Groepper asked Mr. Nolan if he was suggesting that LIEAP would still use the twelve month guidelines for terms of USBC purposes. With that money could they use a three-month annualization up to 150%. Mr. Nolan's response was yes. Mr. Groepper also asked, how does that take in account somebody who has income, but they have expenses that greatly exceed the income? Mr. Nolan said although he understood the concern, it seemed like the concern from last meeting from the LIEAP and TAC members was that they wanted to target people below a certain income for assistance.

<u>USBC Guidelines for Low Income Programs and Activities</u>

Mr. Wiens and the Cooperatives did not like what they saw with the specific guidelines. Legislative intent from their perspective was any actuality that assisted low income people no matter what it was, as long as it helped that low income person, that it was an acceptable activity and especially for the cooperatives. Mr. Wiens does agree with the 150% broad guidelines, but anything beyond that, is not acceptable. Mr. Wiens and the Electric Cooperatives agree that there needs to be that flexibility.

There was a discussion on the bill write offs. Mr. Billings had asked what was agreed as a bill write off? Mr. McConkie stated that generally the total amount of the bill is not written off, because in Flathead cases, customers have capital credits or equity in the system and that is applied. Mr. Nicholson feels that the bill write offs are encouraging bad behavior.

Mr. McConkie and Mr. Wiens were asked by Mr. Billings, if you build into your rate base sufficient funds to do your write offs, under this proposal would you be allowed to use those write offs as USBC credits? Is shifting write offs from your rate base just a shift in your bookkeeping from the rate base to the USBC charge? What does this do

for you? Does it allow you to lower your rates to the rest of your customers? Mr. Wiens answer was that there would be no changes in the rate.

Response to LIEAP Motion on 12/3/97

Mr. Schneider reported that a motion on qualifing activities had been forwarded. There were four items that were added in addition to the federal activities and programs. Three of those were removed by the Administration. The one additional item was the health & safety that was included. That has been submitted to TAC as the Administration's position on guidelines at least to that point.

MOTION Mr. Wiens made the motion to focus Universal Systems Benefits Charge (USBC) low income programs on broad-based activities that assure continuing affordable home energy services to qualifying low income families. Low income programs and activities should be prioritized based upon need.

Low Income Eligibility: Households whose annualized income is 150% or less of federal poverty guidelines. Documented exceptions are subject to justification on an individual basis.

Low Income Program and Activity Guidelines: The following is a lost of low income programs and activities that would qualify for USBC low income program and credit, including but not limited too:

- Heating and energy crisis benefits including payments toward recipient households' energy costs;
- Payment toward recipient household weatherization costs;
- Purchase and delivery of fuels used by recipient households for home energy;
- Purchase, delivery and installation of weatherization materials;
- Purchase and delivery of blankets, space heating devises, equipment and other tangible items that are provided to help low-income households meet the cost of home energy;
- Discounted utility and bulk fuel prices for recipient households;
- Partial or full waivers of utility and other home energy connection and reconnection fees, application fees and late payment charges;
- Partial or full forgiveness of home energy bill arrearages;
- Discounts or reductions in the costs of home heating and weatherization materials;
- Donations of fuel and home heating and weatherization materials;
- Services of paid staff donated by their employer to deliver fuel and other tangible items that help low-income households meet the costs of home energy;
- Purchase, delivery and installation of energy efficient equipment/technologies which help low-income households meet the cost of home energy;

- Outreach for LIEAP enrollment;
- Funds contributed to qualified endowments created in HB 434 for the Low Income USBC purposes; and
- Safety/repairs related to Low Income energy issues.

ACTION The motion passed

Energy Share Endowment

Mr. Groepper provided a handout on options for the Endowment (attached). Mr. Nicholson went over the handout.

Mr. Groepper shared at the meeting that he had talked with Mr. Robinson at the TAC. Mr. Groepper got the first point, that he thought we were diverting, that promoting the endowment would divert existing money from helping the poor people to going into the endowment. The point Mr. Groepper kept trying to make was that the businesses out there need an incentive to donate to the endowment and if the administration is saying that those businesses, the large electric users cannot do their own low income program (and they are testifying to that, Mr. Groepper thinks), and they are also saying that those people can't give to the endowment and get a USBC credit along with a tax credit, then the businesses are not going to give any money to low income programs or the endowment. But if the businesses are allowed to do their own low income programs and give to the endowment then we'll get money that would otherwise be going to conservation.

Mr. Groepper subsequently talked with Mr. Hines about the same issue and it was reitirated that the administration didn't feel that businesses could do their own low income programs, that they can only do conservation and renewables. Mr. Groepper pointed out to Mr. Hines, that's not the feeling of Columbia Falls Aluminum Plant, that's not the feeling of Don Quander, who represents the large companies. Their ideal was anything that was creditable activity for USBC, they can do. Mr. Groepper also reitirated to Mr. Hines that Energy Share was not interested in taking away money from that 17% of the 2.4, taking it from LIEAP and putting in the endowment. What Energy share was interested in was in years when there was money going into this USBC fund rather than having to staff up to do something to get everybodies expectations up. That there's another million dollars worth of bill support for example, but we needed to level that out so people's expectations didn't get real cyclical and we didn't have to staff up and staff down and that the right thing to do was to put the cyclical money in an endowment so we could insure steady state funding.

Mr. Billings asked why there was a $10,000,000 figure and a $100,000,000 on number three of the options for the Endowment? Mr. Groepper explained that he put these two amounts down because he had heard people say that the book value might be

$600,000,000 and the sale might generate as much as a billion or maybe two times book value. Mr. Groepper got to thinking about what was being talked about in here over a year ago, that if you've taken endowment of $100,000,000 to generate annual revenue to pay for the existing cost of LIEAP and Energy Share so you could completely side step the Federal Program and have your own state fund of Low Income Energy Assistance, weatherization, and Energy Share, if you set the Endowment at a $100,000,000. Mr. Billings asked Mr. Groepper what was his proposal? You're saying that a $100,000,000 would generate at least $6,000,000? Mr. Nicholson added that its just an anedote. Mr. Groepper explains that $10,000,000 sounds like a chunk of money to set aside, but if you look at $400,000.000 in profit for example, $10,000,000 is not very much, and if you look at $400.000,000 in profit, even in a $100.000,000 endowment, you're talking about 25% of it. So the choice of what you recommend is up to LIEAC, but the numbers even though scary, are kind of a once in a life time opportunity. It might be a very good use of the money.

Mr. Billings asked if MPC would realize any tax benefit or credit benefit by doing that $10,000,000 off the top. Mr. Groepper said he thinks it would depend on who analyzed it. He suspects if it is remitted to the Public Service Commission and they ordered them to do it, then it comes off Montana Power Company's books and they get a tax credit. If the proceed's above book just go to the Public Service Commission and they make the distribution, then they wouldn't get a credit. But Mr. Groepper was not real sure how that would work.

Tom Schneider gave a reaction to number three of the options for the Endowment. The way that it would work is that if there is a stranded cost then it is Montana Power Company's retail rate payers that will be paying that cost. If there is a net gain it is also the flip side of that coin, that it is Montana Power rate payers who would receive the gain in terms of a credit. It is a leap then, and maybe it's something you can justify to say then that gain or a portion of that gain that's related to either cost or benefit for Montana Power rate payers would go into a statewide endowment fund to be distributed to any low income people in the state. Now you can justify that on different grounds, but it is a very different kind of an equity issue. Because it is not the state wide people that will pay for it if there is a net cost.

Mr. Nicholson requests that these three options for the endowment be presented to the Governor for ways to fund the 10,000,000 endowment for Energy Share and encourage the Governor to choose one or some combination or more of these to come up with a method of doing that. It was agreed that the third option be dropped.

MOTION Mr. Nicholson made the motion to propose eliminating non-profit status of cooperatives.

ACTION No second, motion died

Survey on LIEAP Participation

Mr. Quenemoen reported that there is a graduate student from the University of Washington who will be doing some work for LIEAP. She'll be doing some survey work with people who have dropped off LIEAP to find out why they dropped off and people who aren't participating in LIEAP who we suspect are probably eligible. She will be working to develop a survey and LIEAP will be doing some mailing. This person will be compiling some information and reach some conclusions and making some recommendations. Mr. Billings asked if it would be possible for the committee to see the survey before it goes out? Mr. Quenemoen's answer was yes. It was also asked about when this would be done. Mr. Quenemoen answered that the student wanted to get it completely done by June. She'll have a draft done in two to three weeks.

Lunch Break

Meeting resumed at 1:30 p.m.

Summary of DPHH'S Pacificorp Testimony

Mr. Schneider reported that the testimony DPHHS submitted both in the Montana Power application as well as Pacificorp application recommended that a base be established for LIEAP benefits and that a discount or direct contributions be indexed to federal funding levels. The same goes for the weatherization Program. We recommended specific dollar amounts based on Pacificorp USBC responsibilities on the low income side. We recommended something in the 20 to 25% range rather than the 17% base funding level and proposed a 20% LIEAP discount. One thing that DPHHS did thats an addition to the testimony in the Montana Power case is to recommend that out of the USBC fund a certain targeted amount be dedicated to Energy Share. We recommended that a base allowance of $15,000 be dedicated out of the USBC to the Energy Share.

Mr. Billings had a question about Pacificorp and other organizations like it. Will there be each of these coming forth, and who will come forth to the PSC with plans? What is Pacificorp? Mr. Schneider stated that the Pacificorp serves the Flathead Valley. Pacificorp filed an application pursuing to the act. Montana Power Company proposed real specific USBC allocations. Pacificorp did not. They basically left it open and said they were participating in TAC, and were waiting for guidelines.

TAC USBC Subcommittee Survey

Tom Schneider reported that he had been contacted by Todd Everts, who is one of the persons who is staffing the TAC Subcommittee. What he advised is that because of the USBC survey that was distributed to many of the people in this room they're going to focus almost the entire meeting on the result of this survey.

The next LIEAC meeting has been scheduled for Friday, February 27, 1998 at 9:00 a.m. in room 107 of the DPHHS building.

The meeting adjourned at 2:30 p.m.

GUIDELINES FOR USE OF LOW-INCOME USBC CREDITS BY PROVIDERS, WHICH HELP ASSURE THAT THOSE WHO NEED THE HELP THE MOST, GET IT WITHOUT APPLYING UNREASONABLE, ADMINISTRATIVELY UNWORKABLE MANDATES. IN PARTICULAR, USE OF GUIDELINES FOR WRITE OFFS TO GAIN CREDITS SHOULD BE EXAMINED.

INTRODUCTION

At the December 3,1997 meeting, a motion was made and passed that LIEAC recommend to the Governor and DPHHS a list of USBC qualifying credits to be provided to the Transition Advisory Committee (TAC). Since then, DPHHS and the Governor's Office removed three items from the LIEAC list and presented it in draft form to the TAC Uniform Systems Benefit Programs (USBP) Subcommittee. For purposes of establishing guidelines for the use of these credits, the qualifying activities are listed below under the low income categories contained in Senate Bill 390:

Weatherization Assistance

- Payment toward recipient household weatherization costs;
- Purchase, delivery and installation of weatherization materials;
- Purchase and delivery of blankets, space heating devices, equipment and other tangible items that are provided to help low-income households meet the cost of home energy;
- Discounts or reductions in the costs of weatherization materials;
- Donations of weatherization materials; and
- Services of paid staff donated by their employer to deliver tangible energy conservation materials/measures that help low-income households meet the costs of home energy.

Energy Bill Assistance

- Heating and energy crisis benefits including payments toward recipient households' energy costs;
- Purchase and delivery of fuels used by recipient households for home energy;
- Discounted utility and bulk fuel prices for recipient households;
- Discounts or reductions in the costs of home heating.
- Donations of fuel and home heating
- Services of paid staff donated by their employer to deliver fuel that helps low-income households meet the costs of home energy.
- Partial or full waivers of utility and other home energy connection and reconnection fees, application fees and late payment charges;
- Partial or full forgiveness of home energy bill arrearages;

SUGGESTED GUIDELINES FOR USE OF WEATHERIZATION ASSISTANCE CREDITS

To assure that weatherization assistance is provided in proportion to need, the following criteria must be satisfied as a prerequisite to receiving USBC credits for weatherization activities:

Eligibility for services - Services must be provided on a uniform non-discriminatory basis to low-income Montana households, located within the service territory of the USBP, whose *annualized* incomes are at or below 150 percent of U.S. Department of Health and Human Services (HHS) poverty guidelines. The USBP provider shall determine the number of months of income that must be used in calculating annual household income, provided the same methodology is uniformly applied for at least 12 consecutive months. Likewise, the USBP provider shall establish and uniformly apply for at least 12 consecutive months, any resource limitations it wishes to apply to eligibility.

Priority of service - In determining which households receive weatherization assistance and in what order, providers must rank eligible households according to energy burden which shall be calculated by dividing annual heating costs by annual household income. The energy burdens of households containing a member who is 60 years of age or older or handicapped, as determined by the Social Security Administration, may be multiplied by 1.25 for purposes of determining energy burden. With the exceptions noted below, households with the highest energy burdens shall be given the highest priority and households with the lowest energy burdens shall be given the lowest priority for service.

If there exists an energy related imminent threat to the health or safety of an eligible household, their home may be given a higher priority than that dictated by energy burden. Eligible households scheduled to receive partial weatherization from any other organization may likewise be prioritized higher to allow coordination and avoid duplication of services. It shall be the responsibility of the USBP provider to document eligibility, energy related emergencies and coordination of services with other organizations.

Level of assistance- With the exception of energy related client education, repair and health and safety measures (including heating system repairs and replacements, blankets, carbon monoxide detectors, low flow shower heads, compact fluorescent light bulbs, faucet aerators and water heater jackets), weatherization measures must be determined cost effective by virtue of demonstrating that the ratio of the net fuel cost savings over the lifetime of the measure, discounted to present value (using a minimum discount rate of 4.7 percent), to the material and installation costs of the measure is greater than or equal to one. All measures meeting the USBP provider's cost test shall be installed on a dwelling.

Materials standards - With the exception of energy related health and safety measures, repairs, and client education materials , all weatherization materials must meet or exceed the attached "Standards for Weatherization Materials" found in 10 CFR, Part 440, Appendix A.

Creditable expenditures - Creditable expenditures include the cost or value of: purchase and

delivery of materials; labor; transportation of tools and personnel to storage and work sites; maintenance, operation and insurance of vehicles used to transport materials and personnel; purchase/lease and maintenance of weatherization tools and equipment; employing on-site supervisory personnel; materials storage; incidental repairs necessary to make weatherization measures work; personal injury and property damage liability insurance for weatherization projects; financial audits; and documented administrative expenses (provided they do not exceed 10 percent of the cost or value of total creditable annual weatherization assistance expenditures).

SUGGESTED GUIDELINES FOR USE OF ENERGY BILL ASSISTANCE CREDITS

To assure that energy bill assistance is provided in proportion to need, the following criteria must be satisfied as a prerequisite to receiving USBC credits for energy bill assistance activities:

Eligibility for services - Services must be provided on a uniform non-discriminatory basis to low-income Montana households, currently located within the service territory of the USBP, whose *annualized* incomes are at or below 150 percent of U.S. Department of Health and Human Services (HHS) poverty guidelines. The USBP provider shall determine the number of months of income that must be used in calculating annual household income, provided the same methodology is uniformly applied for at least 12 consecutive months. Likewise, the USBP provider shall establish and uniformly apply for at least 12 consecutive months, any resource limitations it wishes to apply to eligibility.

Level of assistance - Heating benefit payments, discounted fuel prices, donations of fuel, and waiver or forgiveness of home energy bills, late payment charges, connection fees, application fees and energy bill arrearages must be scaled to need, recognizing at least four graduations of household poverty (e.g., 0-30 percent, 31-60 percent, 61-90 percent and over 90 percent of HHS poverty guidelines). USBP providers shall be responsible for establishing energy related crisis assistance levels, documenting eligibility, and documenting the nature of any crisis resulting in assistance.

Creditable expenditures - Creditable expenditures include the cost or value of: purchase and delivery of fuels; labor associated with delivering fuels; transportation of fuels to eligible households; discounts; fee waivers; waivers of late payment charges, financial audits; material and labor associated with addressing crisis situations; client education, outreach and documented administrative expenses (provided they do not exceed 15 percent of the cost or value of total creditable annual energy bill assistance expenditures) and forgiveness of arrearages (provided they meet the criteria described above and do not exceed 10 percent of the cost or value of total creditable annual energy bill assistance expenditures).

GUIDELINES FOR USBC CREDITS - MAJOR POINTS

I. USBC credit categories:

   A. Energy Bill Assistance.

   B. Weatherization Assistance.

II. Eligibility criteria for both Energy Bill Assistance and Weatherization Assistance

   A. Annualized income at or below 150 percent of poverty guidelines.

   B. Providers may determine how income will be annualized provided they use the same methodology for all applicants.

III. Guidelines for Weatherization Assistance

   A. Establishing priority for service on the basis of household energy burden.

   B. Requiring that measures demonstrate a minimum savings to investment ratio of 1:1.

   C. Adopting U.S. DOE materials standards for weatherization materials.

   D. Capping provider administrative expenditures at 10 percent.

IV. Guidelines for Energy Bill Assistance

   A. Requiring that assistance (including bill write-offs) be scaled to a minimum of four poverty levels.

   B. Limiting bill write-offs to 10 percent of total credits.

   C. Limiting provider client education, outreach and administrative costs to 15 percent of total credits.

SUMMARY POSSIBLE OF LIEAC RECOMMENDATIONS

AFFORDABLE LOW INCOME HOME ENERGY SERVICE

THREE LIEAC GOALS

- **Base Level Funding for LIEAP Benefits & Wx Indexed to Federal Funding**
- **Increased Participation by Qualifying Low Income Households**
- **Non-Profit Role**

USBC Funding & Program Recommendations

- Adopt Low Income Eligibility criteria: Annualized 150% Poverty
- Qualifying Guidelines USBC Low Income Program & Activities
- Unexpended USBC Funds 50% Benefits & 50% Wx
- Increase Base Low Income USBC to 20-25% of 2.4%
- Increase or Establish LIEAP Discount 15%-20%
- Establish a 4-Step poverty based discount
- Index discount to FY1998 Federal Block Grant Level of $6.1 million. Possible 25% Cap
- Establish Base Low Income Wx
- Index Free Wx to core federal Wx level of $2.6 million
- Establish a base USBC funding level for Energy Share
- Encourage Corporate & private donations to Energy Share
- Establish an Energy Share Endowment at adequate level
- OTHER

Establish Equivalent USBC on All Fuels (Propane, Fuel Oil, Wood, Coal), e.g., minimum of 0.42% retail (non-transportation ??) revenues for low income

OTHER

Options for the Endowment

1. Write legislation similar to HB434 to increase the tax credit "exposure" of the state to $5,000,000 on a 50% tax credit. Restrict the tax credit to energy providers (or corporations) for donations to the Energy Share Endowment. The credit would be first come first served for $1,250,000 in tax credits each year.

2. Include in the budget an appropriation of $2,500,000 in each of the next four years for the establishment of an Energy Share Endowment. Use the last of the Stripper Well money to jump start the endowment in the first biennium.

3. Encourage the PSC, through testimony and legislation, if necessary, to reserve the first $10,000,000 of profit (net above book and selling expenses) from the sale of MPC generating property for the endowment. If this approach is workable it might be possible to get a large enough endowment to permanently fund LIEAP and Energy Share. $100,000,000 would generate at least $6,000,000 annually for LIEAP and Energy Share.

Minutes

February 27, 1998

Meeting Attachments

Draft Summary of LIEAC Recommendations
LIEAC Motions & Recommendations
MDU's Comments Regarding Recommendations
Options for Endowment

Low-Income Energy Advisory Council
February 27, 1998
Public Health and Human Services Building
Room 107

Acting Chairman Mike Billings called the meeting to order at 9:30 a.m.

Members Present
Mike Billings, Department of Public Health and Human Services, Acting Chairman
Carl Visser, Non-Energy Related Enterprises Representative
Deb Young, Montana Power Company Representative
Matt Dale, General Public Representative
Mike Wall, Private Sector Representative

Guests Present
Gregg Groepper, Energy Share of Montana
Rachel Haberman, Energy Share of Montana
Gene Leuwer, HRDC
John Hines, Governor's Office

Staff Present
Jim Nolan, Intergovernmental Human Services Bureau
Kane Quenemoen, Intergovernmental Human Services Bureau
Tom Schneider, Consultant
Lydia Bloom, Intergovernmental Human Services Bureau

Mr. Billings asked Mr. Nolan if he could discuss the Draft Report to the Governor. Mr. Nolan pointed out that on the hand out none of these were actually new. To a large degree they are a reiteration of what the department has prepared for submittal to the Public Service Commission on a number of issues. The only thing that would not fall in that category is the Unexpended Universal Service Benefit fund USBF. Splitting any unexpended benefits between Weatherization and LIEAP 50/50 was a recommendation the Governor's office has made to the TAC.

It was brought to attention by Mr. Quenemoen that Ms. Aberle; representing MDU, was not in favor of the Draft Report to the Governor. There is an attachment containing MDU's comments.

Mr. Billings asked Mr. Nolan if he thought the utility companies at this time are in such limbo over restructuring that they don't really want to commit to anything? Mr. Nolan stated that he didn't know their reasoning. For example, one of the strategies that the broader group could adopt is that its work was finished. As indicated in last

meeting minutes, there was a motion by the coop's that included income guidelines. It contained a broad statement and some specific criteria, basically the federal leveraging criteria on programs and activities that might qualify. That could be the conclusion. What this does not address is anything related to funding levels. It seems really strange given LIEAC's recognition from the last report to the Governor that the 17% level was a short term solution and it involved an infusion of one time transfers and so forth to make it through the next two years. The Governor then said we recognize this as a short haul thing. SB390 (electric restructuring) is a vehicle that we think could provide an answer for the long haul; in terms of long term funding responsive to federal changes and changing energy conditions. That's a pretty good message that the Governor wanted the group to do more than this. The Administration has taken a position, not only the Department, but the Governor's office, that the 17% minimum is not sufficient to identify the needs that this group spent a lot of time on.

Mr. Schneider said one of the things we attempted to do here was to flesh out some of the concepts that the LIEAC group has talked about for a long time. We wanted to make sure that the benefits got to the people that needed it the most. Mr. Schneider noted that you need to look at poverty levels and you need to look at energy burdens to do that. That's kind of a guideline or an indication. This is the way we want those dollars distributed. You may not want to do that, you may not want to say that 20% to 25% is more adequate to meet the needs you identified than the minimum 17%. And there's different ways of doing it. You could use for example, 20 to 25% or just greater than the 17% minimum.

Mr. Schneider stated that he redrafted the Draft Report to the Governor in light of Ms. Aberle's response to give a little bit more flexibility. For example, one of the things she opposed was the idea of a discount. That is not the only way to distribute benefits. It could be a direct credit to the bill, then you should have some kind of mechanism that targets it to those who need it most. If that really is what is needed and what has been talked about a lot, how do you do it? One way to do it is to plug those dollars back into the State Fund because there is a distribution mechanism that is indexed and scaled based on poverty levels that does that. That would be an alternative to a discount or a direct payment to the customer. There are other ways besides discounts and Mr. Schneider included benefits and credits in his new version.

Mr. Billings asked if there was a middle ground where we don't specifically talk about a percentage? Mr. Schneider responded by saying one of the ways of getting out of being more specific is to say greater than the minimum of 17%, that would be the signal, but the 17% wouldn't tie you to 20, 25, or 30%, but it would say the guidance is that the 17% minimum is not adequate. Mr. Billings asked what makes it inadequate? Is there any criteria we can come up with? Can we hang it, can we attach this, index it in any way to what we're actually getting from. Mr. Quenemoen stated that we could recommend that it be responsive to federal funding. Mr. Billings stated that

we lost the anchor. Mr. Schneider responded by saying yes and stated that the anchor was that we had a general agreement at one point on the board in terms of kind of our target level participation levels of 18 to 22,000 target levels of early 90's type benefit levels and of real dollars, so we had that flow chart on the board and Mr. Corcoran of MPC said they are, other utilities not going any further until we get everyone on board. Remember this was before the passage of legislation. MPC is as far as they're going by themselves, because we've got other utilities, MDU and Pacific that were not playing in that game. There was an imposed cap that superseded the kind of need discussion that we had prior to that. So the 17% then was tied to a lower, status, quo, Montana Power level. They had some good arguments regarding why they didn't want to go any further. The passage of SB390 eliminated substantially those equity arguments; that is, all of the utilities electric and natural gas utilities were then on the same playing field. There was some timing for MDU. That was kind of the anchor. What the Governor and this group recognized was that there was also in that algebra in that benefit level amount one time transfers from the state of Montana Oil Overcharge money that was going to fill that two year gap until something new got put in place. The 17% is at this reduced level which incorporated a one time funding stop gap situation to get a more permanent solution. Lots of history suggests that this 17% should not be something that becomes in fact a gap when its really a minimum that was a short term solution.

Mr. Nolan asked Ms. Young what kind of recommendations MPC and the other utilities would be comfortable making to the Governor in terms of long term solutions to this problem? Ms. Young noted that she would not be willing to speak on behalf of the cooperatives, MDU, or Pacific Corp, or all other players with an interest here. Consistently, the Montana Power Company has said in this environment it wants a level field. Whether it is with regards to how the overall USBC funds are administered, or how everyones obligated to commit low income funds. The intentions of this group starting out on USBC were not only to bring the other electric providers, and other natural gas providers to the table, but propane and fuel oil. Ms. Young encouraged the group to look at the steps taken and the obligations recommended for electric providers. The 13 million dollar of USBC funding was set up for a broad diverse set of other purposes not just for low income. The natural gas USBC fund is set up with specific requirements for low income but allows for others, but doesn't set a ceiling or a floor for any other purposes. To the extent that the dollar amount that is obligated for USBC low income chases off other commitments for low income or other commitments for USBC, Ms. Young thinks this is something we should be aware of.

Mr. Billings suggested that maybe it might help to think about exactly what it is our goal would be for a long term recommendation.

There was a discussion on the people who don't use LIEAP and why, people who were on LIEAP but aren't anymore. It was brought to attention by Mr. Quenemoen and Mr. Nolan that there will be somebody from the University of Washington doing a survey to find out about this information.

MOTION Mr. Visser made the motion to forward the LIEAC recommendations and motions that had already been considered and passed to the Governor as the final report.

ACTION The motion passed.

Mr. Nolan agreed to clean up and expand the LIEAC motions and recommendations a little bit, and get a copy out to everyone for a review. Get the comments back and get it changed, if necessary.

Ms. Young went over the flow chart that was provided at the meeting. She said that the chart really lays out from Montana Power Company's perspective three different ways (not exclusive of one another). Funds collected from Montana Power Company customers could be allocated. On the left side of the page, it's really consistent with the company's original filing in June, which says that Montana Power Company would collect the money from their customers. That Montana Power Company would administer the programs and the distribution of funds either directly or by contracting allocation of those funds out. That Montana Power Company would track those efforts, they would do that with PSC and Public input. Thats what they would base their decisions on. They would send reports of the qualifying expenditures and obligations to the appropriate authority, and Montana Power Company is suggesting here that, that would be the PCS, TAC USBC Fund Administrator. Who those qualifications go to is not real clear in terms of saying what qualifies, what didn't qualify in the legislation. Then anything that wasn't allocated would be sent on to the State Fund as outlined in the SB390. The center alternative on the flow chart would be that Montana Power Company would collect the money from its customers turn it over to the State Fund and then that State Fund would decide where the money was spent. The right side of the flow chart is what is in the Montana Power Company rebuttal testimony filed at the end of January where Montana Power Company is suggesting that what they would like to move toward is a scenario where they would collect the money from their customers and would contract with an independent Board to administer the funds. The reason for the Independent Board would be that it would allow Montana Power Company to sit at the table but the decision making would be to a large degree, very independent of the company. It would involve the public input. A lot of the criticism has come out on the concept on the left side of the chart that Montana Power Company would somehow structure the funding in such away that it would create some advantage for the utility in the utility business. That was not Montana Power Company's intent. But to try to clarify that and make it more acceptable the idea of the Independent Board is what they submitted. The Independent Board would make the decisions. They would then provide reports back to Montana Power Company.

Mr. Hines shared with the group what TAC is proposing as required under Senate Bill 390 is the development of the Statewide fund. They put together some framework and

some premises, some tasks that some various agencies would perform under a State wide Funding. One important distinction that the Administration is trying to make is that these are not utilities' dollars. During the past, utilities were spending what he classified as their dollars. They were responsible for them. The Administration looks at the utilities now as merely a collection mechanism. These are ratepayer dollars, these are consumer dollars. Their policy input is compared to what it was in the past. This is one of the Public Policy decisions and such Public Policy makers need to have more input on how those public dollars are allocated. To that extent we're requesting that TAC set to develop a set of guidelines that prove that guides all expenditures throughout the state. These would be general guidelines; the administrator of the Statewide Fund would put together more detail set of recommendations of how the dollars are spent both within programs and among programs. Those decisions would be made in a public forum context where all competing agencies for different dollars would be able to make their presentations. In particular on Low Income dollars expended, the Administration feels that there's been a different need illustrated that shows a funding necessary greater than the 17% that is currently being proposed by the utility. The question is how do we get that incorporated into whatever USBP programs that are put forth? Originally, we tossed around the idea that large unexpended customer dollars would flow to Low Income Programs and would be distributed three ways through an Endowment, Weatherization, and Bill Assistance. Mr. Hines doesn't see that mechanism working so much. Under the format of Statewide Fund it becomes real messy. They are trying to track dollars as they come in and we allocate them. One way that the Administration is just beginning to toss around is maybe putting a dollar amount into State Fund. For example, up to the first million dollars of money that flow into the State Fund would be dedicated to Low Income Programs.

MOTION Mr. Visser made the motion that since the USBC was intended to meet public purposes, and Low Income Energy needs as a public purpose continues beyond the life of this Legislation, the council encourage to the Governor to recommend that the TAC attend to this public purpose well into the future.

ACTION The motion passed

Mr. Billings noted that the draft final report would be mailed out to all members for review.

There was not another meeting scheduled, but if LIEAC needs to meet again it will be possible to do so.

The meeting adjourned at 11:30 a.m.

DRAFT SUMMARY OF LIEAC RECOMMENDATIONS

OVERALL GOAL

AFFORDABLE LOW-INCOME HOME ENERGY SERVICE

THREE LIEAC OBJECTIVES

Base Level Funding for LIEAP Benefits & Weatherization

Indexed to Federal Funding

Increased Participation by Qualifying Low Income Households

Energy Share / Non-Profit Role

USBC FUNDING & PROGRAM RECOMMENDATIONS

Low Income Eligibility & Creditable Activities

Adopt *Low Income Eligibility criteria*: Annualized 150% Poverty

Qualifying Guidelines USBC Low Income *Programs & Activities for USBC Credit -- Attachment I*

USBC Funding Levels

Increase Low Income USBC > 17% minimum (e.g., 20-25% of total 2.4% USBC i.e.,0.48-0.60% of 1995 Retail Revenues)

***Prioritize* Based on NEED**

Prioritize assistance & weatherization based on NEED (% of poverty & % energy burden to income) e.g., establish a poverty scaled discount

Benefits / Assistance

Increase or Establish LIEAP Discount, Benefit or Credit e.g., 15%-20% LIEAP discount

Index LIEAP discount, benefit or credit to FY1998 Federal Block Grant Level of $6.1 million. Possible 25% Cap

Weatherization

Establish Base Low Income Wx

Index Free Wx to core federal Wx level of $2.6 million

Energy Share

Establish a base USBC funding level for Energy Share e.g., 10% of Low income USBC

Encourage Corporate & private donations to Energy Share
Establish an Energy Share Endowment at adequate level

Establish Equivalent USBC on All Fuels (Propane, Fuel Oil, Wood, Coal), e.g., *minimum* of 0.42% retail revenues for low income USBC

Continue Low Income Portion of USBC as a Permanent Funding Mechanism -- past the SB390 Transition period to recognize that *assuring affordable low income home energy services is a long term commitment.* If the USBC mechanism is terminated, *an equivalent funding source must be substituted.*

LIEAC MOTIONS & RECOMMENDATIONS

1. That LIEAC revisit their commitment to the endowment and ask the Governor to develop legislation and budget for the impact of this legislation. ADOPTED 10/27/97.

2. To encourage the Governor to include propane and fuel oil in legislationfor the purpose of bringing all energy providers onto a level playing field in respect to USBC issues, specifically low-income assistance. ADOPTED 10/27/97

3. That the staff work with providers to bring back to the next meeting of LIEAC suggested guidelines for use of low-income USBC credits by providers, which help assure that those who need the help the most get it without applying unreasonable administratively unworkable manadates. In particular, use of guidelines for write-offs to gain credits should be examined. These guidelines will be presented to the Governor and the Department (HHS). ADOPTED 12/3/97.

4. LIEAC recommends to the Governor and the Department of Public Health and Human Services the following list be provided to the Transition Advisory Committee (TAC) as a preliminary guideline for low income USBC credit, including but not limited to:
    a. Federal Leveraging List, *plus*
    b. Outreach for LIEAP enrollment
    c. Funds contributed to qualified endowments created in HB434 for low income USBC purposes
    d. Safety/repairs related to low income energy issues
    e. Energy efficient equipment/technology
    ADOPTED 12/3/97

5. To focus Universal Systems Benefits Charge (USBC) low income programs on broad-based activities that assure continuing affordable home energy services to qualifying low income families. Low income programs and activities should be prioritzed based on need.

    Low Income Eligibility: Households whose annualized income is 150% or less of federal poverty guidelines. Documented exceptions are subject to documentation on an individual basis.

    Low Income Programs and Activity Guidelines: The following is a list of low income programs and activities that would qualify for USBC low income credit, including but not limited to:
    a. Federal Leveraging List, *plus*
    b. Outreach for LIEAP enrollment

c. Funds contributed to qualified endowments created in HB434 for low income USBC purposes
d. Safety/repairs related to low income energy issues
e. Energy efficient equipment/technologies which help low income meet cost of home energy

ADOPTED 1/21/98

6. That two options for the endowment be presented to the Governor for ways to fund the $10 million endowment for Energy Share and encourage the Governor to choose one or a combination of these options. ATTACHED

   ADOPTED 1/21/98

Montana-Dakota's Comments Regarding "Draft Summary of LIEAC Recommendations" transmitted on 2/25/98 by DPHHS

A representative from Montana-Dakota will not be in attendance at the LIEAC meeting scheduled for 2/27/98 in Helena. Montana-Dakota requests that the following comments be included as part of the minutes and taken into consideration in development of a draft report.

Montana-Dakota further requests that any draft developed as part of the 2/27/98 meeting be distributed to all LIEAC voting members for review and comments prior to the time a report is provided to the Governor.

Comments:

Re: USBC Funding & Program Recommendations.

- The recommendations set forth on the 2/25 draft do not reflect decisions of the LIEAC and appear to represent the DPHHS' testimony filed in the ongoing restructuring cases.
- The qualifying guidelines for USBC credit are not attached as referenced. Montana-Dakota requests that this list be sent to all voting members to ensure the list represents the credits adopted by the LIEAC on 12/3/97.
- Montana-Dakota dose not support a recommendation to increase the low income portion of the USBC to 20-25% of the total as a mandate for all providers.
- Montana-Dakota dose not support a recommendation to mandate a poverty-scaled discount of 15-20% indexed to current Federal LIEAP funding levels as part of the USBP.
- Montana-Dakota does not support indexing free Wx to core federal Wx level of $2.6 million as part of the USBP.
- Montana-Dakota does not support mandating a base USBC funding level for Energy Share.
- Montana-Dakota does not support a mandate that unexpended USBC funds be split 50-50 between benefits and Wx.

Options for the Endowment

1. Write legislation similar to HB434 to increase the tax credit "exposure" of the state to \$5,000,000 on a 50% tax credit. Restrict the tax credit to energy providers (or corporations) for donations to the Energy Share Endowment. The credit would be first come first served for \$1,250,000 in tax credits each year.

2. Include in the budget an appropriation of \$2,500,000 in each of the next four years for the establishment of an Energy Share Endowment. Use the last of the Stripper Well money to jump start the endowment in the first biennium.